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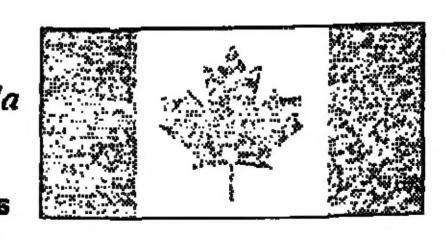
Northwest delivers a painful blow

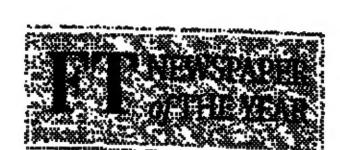


Recycling in the US

The complex equation of supply and demand

Surveys





FINANCIAL TIMES

Europe's Business Newspaper

WEDNESDAY DECEMBER 9 1992

Bundesbank 'at fault for currency crisis'

The Bundesbank was partly to blame for September's turbulence in the currency markets, following its controversial decision to increase interest rates in July, said Olrich Cartellieri, a main board director of Deutsche Bank, Germany's largest bank.

Mr Cartellieri, the board member responsible for economics, said the market judged that other countries would be unable to follow suit and investors had behaved accordingly. Page 14; "The EMS will not die' declares Bonn, Page 2

Greater military action urged in Bosnia:



Western European countries should take stronger military action over the Bosnian crisis. said Wim van Eekelen, secretary-general of the Western European Union. He said the UN operation "has probably reached its limits, as far as peacekeeping is concerned". Page 14: EC accuses

Greeks over Serb boycott, Page 3

S Africa cancels talks: The South African government said it was cancelling planned talks with the ultra-radical Pan Africanist Congress until the group distanced itself from attacks carried out by its armed wing, the Azanlan People's Liberation Army. Page 4

German farmers protest: Up to 50,000 German farmers, many driving tractors, swamped Bonn to express their anger over the European Community's trade deal with the US to curb oilseed production as part of the General Agreement on Tariffs and Trade talks.

Alitalia, the Italian state airline, is poised to acquire a minority stake in Maley, the Hungarian carrier, against stiff competition from Lufthansa of Germany, Hungarian government officials indicated. But a last-minute push by Lufthansa cannot be ruled out. Page 15

Skandia, the leading Swedish insurance group. has emerged as a potential bidder for the core life and non-life operations of Hafnia, the troubled Danish insurer which suspended payments to creditors in August. The group has ambitions to achieve a 20 to 25 per cent market share in Scandinavia. Page 15

Venezuela coup arrests: A Venezuelan court martial ordered the arrest of 240 civilians and soldiers who will be tried for their part in the November 27 coup attempt.

Parisian transport flop: Paris's first experiment with privately run mass transport flopped when the backers of Orlyval, a driverless automatic train, admitted they would have to write off FFr1bn (\$187m) of debts and hand control of the lossmaking line to the state. Page 16

Galdar retreats on oil: Russian acting prime minister Yegor Gaidar signalled a retreat from a main element of his economic reforms, announcing that domestic oil prices would remain below world levels for a long time to come.

Germany to cut car output: Three big German carmakers announced wide production cuts early next year in an attempt to reduce stocks and avoid further job losses. Page 2

Oil prices: Oil prices resumed their slide in late London trading after a senior UN weapons inspector said Iraq might be willing to co-operate on providing details of the supply network for its nuclear programme, currently an obstacle to the UN lifting sanctions on Iraq, including its oil exports.

Intifada to grow: Yassir Arafat, Palestine Liberation Organisation chairman, pledged to step up the five-year-old intifada, the uprising against Israel, in which more than 1,000 people have died, and promised more confrontations with Israeli soldiers.

Plutonium smugglers arrested: Police in Germany and Austria have smashed a ring dealing in smuggled plutonium from the Ukraine and arrested 16 people. It was the latest police action against a growing illegal trade in nuclear materials smuggled into Western Europe from former Soviet republics.

Last blast at oldest copper mine: The last explosive charge to loosen ore in Falun, Sweden, was detonated, in preparation for closure of the world's oldest copper mine by Stora Kopparbergs Bergslags before the end of 1992.

M STOCK MARKET INDICES

STERLING

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Rejection by Britain and Denmark 'will not stop the construction of Europe'

Mitterrand firm on EC union

By Andrew Gowers and David Buchan in Paris

TEN OUT OF 12 European Community member states are determined to press ahead with implementing the Maastricht treaty on European union whether or not Denmark and Britain join them in ratifying the accord next year, President Francois Mitterrand of France said yesterday.

In an interview with the Financial Times, Mr Mitterrand insisted that the treaty would neither be renegotiated nor amended to secure Denmark's acceptance in a second referendum next year. He also claimed to have the support of a majority of other member states for this

"Rejection by the countries in question [Britain and Denmark]

By Shiraz Sidhva and Stefan

THE LEADERSHIP of India's

rightwing Hindu Bharatiya Jan-

ata Party was arrested yesterday

for allegedly instigating riots, the

death toll from which rose by 180

to more than 400 since Monday

Mr P.V. Narasimha Rao, the

prime minister, made some head-

way in his efforts to calm the

crisis, caused by the destruction

by Hindu militants of a mosque

in the northern town of Avodhya.

Government officials took com-

fort from the bloodless recapture

of the disputed site by paramili-

tary police at dawn. However,

communa! frenzy continued

Police firing and street clashes

between Hindus and Moslems

brought Bombay and many parts

of Maharashtra state to a halt,

with 65 more deaths yesterday,

taking the toll to 125. In nearby

Gujarat, 11 more people died yes-

terday, raising the death count in

the state to 72. The army, which

was called out in some Indian

states on Monday, continued to

be deployed in Uttar Pradesh,

parts of Madhya Pradesh.

where Ayodhya is located, and in

Five leaders of the Hindu BJP.

including Mr L.K. Advani, opposi-

tion leader, and Mr Murli Mano-

har Joshi, the party president,

were arrested. This move,

together with the government's

restored control of the disputed

site, and an assurance by Mr Rao

that a mosque would be rebuilt

alongside a temple in Ayodhya,

provided temporary respite to the

government, which has been crit-

icised for its inability to avert

By David Waller in Frankfurt

DEUTSCHE BANK, Germany's

largest bank, yesterday reported

a 5 per cent fall in group operat-

ing profits for the first 10 months

The result was worse than ana-

lysts' expectations and con-

trasted sharply with the robust

figures Deutsche's competitors

It prompted Deutsche's share

price to fall by DM13.9 to

DM653.1, helping to drag the

DAX index of 30 leading German

shares down by 17.08 to 1,508.24

Total operating profits fell from

DM5.20bn to DM4.94bn (\$3.1bn)

while partial operating profit,

which excludes the bank's own

account trading, dropped by 3.8

The fall contrasts with reported

growth of 16.6 per cent in total operating profits at Dresdner,

Germany's second biggest bank;

13.3 per cent at Commerzbank,

the third largest bank; 13.2 per

cent at the Bayerische Hypoth-

in nervous trading.

per cent to DM3.96bn.

have reported in recent days.

Political tensions remained

Sunday's events.

of the year.

unabated in six states.

Wagstyl in New Delhi

night.

will not stop the construction of Europe . . . The old Europe of the Six plus Portugal and Spain find themselves completely on the same wavelength," he said. Ireland and Greece have also ratified the treaty. "We can't make an agreement minus a single currency, minus the central bank. minus a common foreign policy." Mr Mitterrand said it would be legally possible to adapt the

the event of another rejection by Danish voters. As for Britain, he added: "I do not despair at all of seeing Great Britain adhere to the treaty that the head of its government signed." While he refrained from com-

treaty - "not in substance but in

form" - to exclude Denmark in

ment on Britain's latest proposals for dealing with Danish objections to Maastricht, the French president's remarks signal a

high as the BJP, which had

organised the rally that led to the

mosque's destruction, warned of

was reconstructed on the site

they believe is the birthplace of

The BJP and its allies, the

Vishwa Hindu Parishad and the

Rashtriya Swayam Sevak Sangh.

pledged to fight the plan. The

Hindu parties also promised to

campaign for mosques on other

disputed sites to be returned to

Hindus, Defiant BJP MPs called a

nationwide strike today to pro-

test against the arrest of their

leaders, claiming no responsibil-

ity for the communal carnage

their actions had precipitated.

coup by Hindu organisations".

ing the town before noon.

with thousands of devotees leav-

Indian Moslem leaders

appealed to Moslems around the

world to avoid violence, includ-

Farhan Bokharl adds from

Islamabad: At least 20 people

were killed as demonstrations

against the demolition of the

mosque took place across Pakis-

tan yesterday and the country

In the capital, Islamabad,

police fired teargas to disperse a

crowd which was trying to break

through a security cordon at the

Deutsche Bank down 5% in

worse than expected result

ische Vereinsbank.

eken und Wechsel-Bank: and

more than 20 per cent at Bayer-

At a news conference in Frank-

furt, Mr Hilmar Kopper, Deut-

sche's chief executive, brushed

aside the comparison with com-

petitors, saying net profits for the

full year would be at least as

He noted that Deutsche Bank's

profits were bigger than those of

its next three competitors put

together, and insisted that the

relative strength of the bank

would become clear at the full-

year stage, after provisioning for

bad debts. Last year net profits

rose from DM1.07bn to DM1.41bn

while operating profits rose 16

A fall in profits was expected

after Deutsche's interim profits

fell 3.2 per cent after six months.

The bank said then that its size

meant it felt the slowdown of the

German economy earlier than its

Mr Kopper went into more

detail yesterday, blaming a shift

in revenue mix toward lower

CONTENTS

Intl. Cap Mkts 18

mti. Companies 16,17

FT World Actuaries...... 38 Trad'ional Options....... 18

competitors.

per cent to a record DM5.97bn.

good as they were last year.

observed a day of mourning.

ing attacks on Hindu temples.

the god Ram.

a Hindu backlash if a mosque

■ EMS will not die says Bonn ■ European jobless up 1.3m ■ Leniency urged on VAT rules

hardening of tone on this central

question ahead of Friday's Edinburgh summit. They seem intended in part to increase the pressure on Mr John Major, the UK prime minister and current EC president, to speed up ratification of the treaty in Britain's parliament, rather than waiting for the outcome of another Danish vote in May or later.

Such pressure, however, may complicate Mr Major's efforts to muster consensus at Edinburgh while struggling with his own backbench rebels, whom he has

Hindu political leaders arrested after riots

assured that he will delay completing ratification until after a second Danish vote. Mr Mitterrand said it would not be "catastrophic" if British ratification took another four months from now, but that Britain should not make its decision hinge on that

of another country. Also in the interview. Mr Mit-

 Expressed determination to resist pressure from his European partners over the recent EC-US deal on farm trade. He said he did not expect the issue to come up at Edinburgh, as negotiations on an overall settlement in the Uruguay round of the General Agreement on Tariffs and Trade were still continuing. He said France still wanted a reopening of negotiations on agriculture with Washington. If there

were no concessions on farm

trade, however, he said France would have to act with "great firmness" - while refusing to be drawn on whether it would ultimately use its vcto.

Reaffirmed his determination

not to devalue the French franc, which has been under sporadic but heavy pressure in recent weeks. "Devaluation has never been considered a good policy," he said, "France's economic indicators are the best at the moment within the EC." Said he did not see the need to

move the franc to a narrower band of fluctuation within the European Monetary System, but that the idea was "for discus-

 Renewed his backing for a "European growth initiative" involving the acceleration of large EC infrastructure pro-

Hopes rise for answer to Danish question

By Lionel Barber and David Gardner in Brussels and Ivo Dawnay in London

EUROPEAN Community foreign ministers yesterday made progress on resolving Denmark's difficulties with the Maastricht treaty on European union, raising hopes of a solution at this week's summit of EC leaders in

Edinburgh. A solution allowing Denmark to put the treaty to a second referendum is seen as the lever to reach agreement on the main differences affecting the Community, notably the budget, enlargement and decentralised decision-making.

Foreign ministers from several member states, during a meeting in Brussels, raised reservations about a UK draft allowing Denmark legally binding opt-outs from the Maastricht treaty. Italy. Spain, and Germany - acting on legal advice - suggested that the UK paper amounted to a new treaty.

But Mr Douglas Hurd, UK foreign secretary, said the Community "should never leave its fate to lawyers". Mr Uffe Ellemann-Jensen, Danish foreign minsiter, agreed: "I am sure legal doubts can be dealt with after today's discussion, after that it is a matter of political will."

The "conclave" of EC foreign ministers in Brussels was the last bigh-level gathering of the Twelve aimed at salvaging the Edinburgh summit, which many member states were virtually writing off as doomed to failure. At the same time, though, it was announced that Mr John Major. UK prime minister, is to

mit dinner with President Francols Mitterrand in Edinburgh tomorrow night. The surprise meeting, agreed in a telephone call between the two leaders yesterday, comes after British officials had repeatedly stressed that no such encounter was necessary due to

the close regular contacts

between Paris and London. Nonetheless, Mr Major's failure to visit the Elysée Palace on

Continued on Page 14



Pakistani Moslems destroy the dome of a Hindu temple with pickaxes in an old quarter of Lahore in retaliation for the razing of the 16th century Babri mosque in the northern Indian town of Ayodhya

Indian high commission. In Bangladesh, at least six were

Turmoil upsets business, Page 4

killed and more than 500 injured as groups clashed during a general strike.

UK Hindus and Moslems, Page 8 Editorial Comment, Page 12

margin interbank business for

the profits fall. Other factors

were lower trading profits and

the appreciation of the D-Mark

against other currencies, espe-

cially sterling. Analysts said

another reason was a lower

return on bank lending to east-

Total credit grew by 5.7 per

cent to DM316.7bn, while net

interest income rose 4.2 per cent

to DM9.10bn; net interest mar-

gins dropped by 10 basis points to

2.31 per cent. Commission income

Analysts took some heart at a

reduction in expenses growth.

For the 10 months, total expenses

rose 9.6 per cent to DM8.51bn.

whilst over the whole of last year

Mr Kopper said staff numbers

would probably drop by 1,000 dur-

ing the year and by a similar

Lex, Page 14

Currency crisis, Page 14 World stocks, Sect II

they grew at 18.4 per cent.

amount next year.

Money Markets34 Surveys

Foreign Exchanges34 London SE27 Global Custody Section III

rose 7.2 per cent to DM3.39bn.

ern Germany.

SOMEONE ELSE

VA/II I

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Observer 13

IF YOU DON'T

DO IT,

You've considered a management buy

act fast, before someone else does.

us today, and let's get moving.

PHILDREW VENTURES

Dutch

head

banker to

governors

THE president of the Dutch

central bank, Mr Whm Duisen-

berg, has been elected chair-

man of the committee of Euro-

pean Community central bank

governors, a body regarded as

a forerunner of the mooted EC

central bank, writes Ronald

Mr Duisonberg, 57, the head

of the Netherlands' central

bank for nearly 11 years, will

succeed Mr Erik Hoffmeyer of

Denmark who was named act-

ing chairman of the committee

last year after Mr Karl Otto

Pahl, the then president of the

The appointment of Mr Duis-

enberg is for one year only, but

it will give heart to campaign-

ers in Amsterdam's financial

community who are trying to

promote the Dutch capital as

the site of the European cen-

However, Amsterdam's

chances are still considered

slim unless there is a stalemate

between Germany, Britain and

France, enabling the Nether-

lands to emerge as a compro-

Mr Duisenberg, who was

recently named Central Banker

of The Year by Euromoney

Bundesbank, resigned.

tral bank.

mise candidate.

Van de Krol in Amsterdam.

accul

counter the effects of reces-

sion. Mercedes, for example,

has already shed 12,500 work-

Short-time working is com-

monly introduced as an

interim measure to balance

supply and demand, but in

many manufacturing indus-

tries hit by the current down-

Audi, which recently

to the continuing order weak-

ness in the domestic and

important European export

There were also unconfirmed

reports yesterday that Ford-

Werke, the German subsidiary

headed for its first loss in six

years and planned to shed up

According to some estimates

new car registrations in Ger-

cast a 5 per cent fall in western

European demand next year,

although Ford and Mercedes

both hope to regain some

ground with important

launches of new or revamped

BMW, which till benefiting

the Commission's indirect tax

and customs directorate, has

written to the 12 national

administrations urging a

lenient attitude towards com-

panies that are slow to meet

the requirements. In turn,

Brussels is likely to be lenient

"We expect member states to

with laggard member states.

Mr Peter Wilmott, who heads be understanding of traders'

There is

only one way of

understanding

French,

to 3,000 workers.

models.

of the US vehicle maker, was

to job losses.

ers in the past 12 months.

By Christopher Parkes in Frankfurt

THE German motor industry yesterday announced sweeping production cuts early next year in a bid to reduce stocks and avoid further job losses.

Audi, the up-market Volkswagen subsidiary, said about 25,000 of its 37,500 workers would be put on short-time for three weeks during the first quarter of 1993.

days' short-time working at its four German car assembly plants in January and February, and up to 40 days at three components factories.

Most of the group's 95,000 car workers are likely to be affected.

Meanwhile, Volkswagen said that up to 14,000 of the 18,000 workers employed at its Hanover works would be sent home for a week during

January. All three companies have already announced plans for large-scale job cuts over the next two or three years. They have also decided to

extend Christmas holidays in most of their factories. The latest announce-

ments - short-time working in Germany effectively means stopping production - reflect the recent rapid deterioration in domestic markets and continuing recession abroad.

However, there are suggestions that workforce reductions, both planned and executed, may not be enough to

By Andrew Hill and Andrew

EC TAX authorities should not

punish companies which acci-

dentally break complex new

VAT rules in the first few

months of 1993, a senior Euro-

pean Commission official said

Jack in Brussels

yesterday.

Bonn over

By Judy Dempsey in Bonn

THE younger generation of foreigners living in Germany must be given easier access to citizenship as a means of fully integrating them into German society, Mrs Cornelia Schmalz-Jakobsen, head of the federal department for the problems of foreigners, said yesterday.

She said continuing opposition, particularly from the Bavarian-based Christian Social Union, the sister party turn, it has become a prelude of Chancellor Helmut Kohl's ruling Christian Democratic Union, was holding up any changes to the current nationunveiled plans to reduce its Mercedes-Benz announced 14 workforce by 10 per cent, said ality law, as well as the introduction of an immigration law. German nationality is based on direct German ancestry.

The need to give the younger generation a sense of identity in Germany coincides with nationwide demonstrations against racism which have been organised by the country's universities.

They started on Monday, and will last until Friday, the day after Mr Kohl delivers a special speech to the Bundestag on many will fall by 500,000 next | right-wing extremism and vio-

His speech, which will be fol-Industry analysts have forelowed by a two-hour debate, is in response to domestic and international pressure for the government to play a much more prominent role in combating xenophobia and arson attacks on foreigners.

Yesterday, legal proceedings

difficulties," he said yesterday.

"That doesn't mean they

should simply write off big tax

debts, but they shouldn't be

wheeling out the big guns to

sanction people who didn't

really understand what they

A transitional VAT regime

comes into force on January 1,

and is the key to lifting border

There is

only one way of

understanding

France.

were doing."

from the impact of its new were started against Mr 3-Series models, said that Thomas Dienel, head of the farshort-time was out of the quesright National Democratic Party, who allegedly said be The group recently regretted that Germany's announced proposals for the younger generation had not loss of 3,000 jobs next year. killed any Jews.



Some of an estimated 40,000 German farmers who took part in a demonstration in Bonn yesterday watch a car that was set alight. Farming leaders called the protest against the US-EC pact on farm produce which was agreed last mouth in the Gatt trade talks

Europol HQ dispute causes concern

THE establishment of a permanent headquarters for Europol, the planned European criminal intelligence agency, is facing a possibly long delay because of disagreements between EC member states. police officials said yesterday. write Jimmy Burns in London

Europol's pilot offices in Strasbourg, said that in the unlikely event of agreement at the Edinburgh summit, it could take at least six months before Europol was functional. "There appears to be general agreement on the terms of reference of Europol but the issue of location is undecided and without it Europol cannot start," Mr Morrison said. Differences

over the location of Europol. which was due to start a drugs unit next month, surfaced last week during a meeting of EC interior ministers in London. Mr Kenneth Clarke, UK home secretary, said the Twelve had agreed the drugs unit should start on January I.

However, political passions are such that Dutch officials publicly alleged last week that credit The Hague's candidacy for the institution by accusing the Dutch government of failing to curb the sale of soft

dispute may only be resolved when there is a wider trade-off over other future permanent locations of key Community institutions.

been positioning himself to

magazine, brings a wealth of France was attempting to disinternational experience to his new job. He is a past president of the Bank for International Settlements in Basie. He began his career in the late 1960s as a staff member of the Interna-It is thought likely that the tional Monetary Fund in Wash-

Netherlands. A former Dutch finance minister. Mr Duisenberg is a prominent member of the Dutch Labour party and a former Labour member of parliament. He had a three-year stint as a director of Rabobank, the large Dutch co-operative bank.

ington after completing a

degree in economics at the Uni-

versity of Groningen in the

The Dutch central bank, like the German Bundesbank, is independent of domestic politics, and Mr Duisenberg has repeatedly said that this is a precondition for the proper functioning of any European central bank.

Belgian parties agree reforms

Seven Belgian political parties yesterday overcame stumbling blocks to constitutional reforms that threatened to destabilise the fragile coalition government, Reuter reports from Brussels.

A spokeswoman for Prime Minister Jean-Luc Dehacne said the parties reached a compromise after overnight negotiations on a "green tax" and on budget arrangements for Belgium's German-speaking

Polish strike to go ahead

Poland's Solidarity trade union will go ahead with plans for a two-hour general strike next week after talks with the government failed to satisfy its demands, a union spokeswoman said yesterday, Reuter reports from Warsaw.

Ms Ewa Tomaszewska, a member of Solidarity's national commission, said the government had not agreed to ease wage curbs enough to compensate falling real wages.

MO

Correction.

Laurent-Perrier

An article in the Eastern France survey on November 23 incorrectly stated that Laurent-Perrier champagne is majority-owned by the Burtin-Mora family. The company is controlled by the de Nonacourt family, which holds more than

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and Andrew Hill in Brussels. Detective Superintendent lan Morrison, the UK delegate at

controls on goods. But there

are fears that the opening of

the single market may be

marred by a lack of understanding about the system. EC transport ministers adjourned talks yesterday until December 21 on the right of hauliers to ply for trade in

other EC countries, Reuter

reports from Brussels.

EC leniency urged over new VAT rules | Greek premier forced to endure party sniping

By Kerin Hope in Athens

LIKE the chorus of furies in an ancient play, dissatisfied deputies in the ruling New Democracy party are hounding Mr Constantine Mitsotakis, the Greek prime minister. They want him to relax the government's commitment to eco-

Mr Mitsotakis retaliated last week by sacking the entire cabinet, only to recall most key ministers after failing to persuade his severest critic, Mr Miltiades Evert, to rejoin the government. He also appointed 19 new junior ministers in an attempt to defuse accusations that decision-making is confined to a coterie around the prime minister's family.

However, Mr Stefanos Manos was left in charge at the economy and finance ministries, underlining that reform is still on track. If applied with sufficient rigour, Mr. Manos's adjustment programme should reduce Greece's swollen public sector deficit to manageable levels next year and bring

inflation below 10 per cent for the first time in two decades. Nonetheless, Mr Mitsotakis can expect more trouble from his party in the months ahead. Next spring marks the start of

an election year, when the government will come under increased pressure to abandon the stabilisation programme. New Democracy deputies are unashamedly demanding an

end to wage restraints, more patronage appointments and generous spending on public works in marginal constituencies. They showed what they thought of Mr Manos's policies by staying away from parliament when he presented an austerity budget for 1993. Despite Mr Mitsotakis's efforts to reimpose his authority on the party, the budget vote later this month will be a difficult

test for the government. The main challenge comes

succeed the 74-year-old Mr Mitsotakis as party leader. choosing the economy as the issue on which he can most easily embarrass the government. As recession continues. Mr Evert's arguments in favour of promoting growth through increased spending

favour with a large section of the Greek business commu-Mr Evert also seems to advocate a compromise on privatisation, which is supposed to be the central plank in New Democracy's economic platform but arouses flerce party opposition. But if Mr Manos's aims of containing the deficit are to be achieved, it will largely be due

from Mr Evert, who was fired from the cabinet a year ago for trying to interfere in foreign policy when his brief was to reform the civil service. Since then Mr Evert has

to the Dr330bn (£1bn) in privatisation revenues projected for next year. Moreover, he is counting on about Dr300hn in extra income from direct taxation. Part of this will come from another potentially unpopular move: a crackdown on tax evasion.

Europe's jobless rises 1.3m

THE number of people out of work in the European Community rose to 14.6m in October, up from 13.3m in October last year, the EC statistics office, Eurostat, said yesterday, Renter reports from Luxembourg. **Eurostat's monthly bulletin** said the seasonally adjusted average rate of unemployment also edged up to 9.8 per cent from 9.7 in September, and 9 per cent in October 1991. It is now at the highest rate since June 1988.

Eurostat said the rise in the number of unemployed over the year was particularly acceptable profitability by 1995, marked in Britain, Spain and | said Mr Peter Kwant, vice-preseastern Germany, which together accounted for 1.04m of the total increase.

Oil clean-up

A 23 sq-mile oil slick from the wrecked Greek tanker, Aegean Sea, which spread along Spain's north-western coast, was under control yesterday, local authorities said, Reuter reports from La Cornha. Fierce storms had earlier hampered attempts to contain the spillage from the ship which ran aground at the entrance to La Coruña harbour last Thursday.

Murder case

Mrs Grace Livingstone, wife of Ireland's senior tax fraud investigator, Mr James Livingstone, was found murdered at their home in Malabide, north of Dublin, Tim Coone writes from Dublin.Mrs Livingstone had been tied up and shot in

warned of need for restructuring

Chemical industry

By Paul Abrahama

WEST European ethylene were warned yesterday they face a sustained period of unprofitability and cannot rely on demand growth to restore profits.

The industry would require improbable annual economic. growth rates approaching 6 per cent if it was to reach more cals at Shell International

Mr Kwant, speaking at the also suffering from excess rinancial Times Petrochemicals capacity, said Markets and Conference in Landon Con cals conference in London, said mature, suffering from overcapacity, weak economic growth and high relative costs.

Unless the industry closed its less efficient units, it would be confronted with the prospect of prolonged financial distress, added Mr Kwant The biggest challenge facing the industry remains overcapa-

city. Global capacity increased from 48m tonnes a year in 1986 to 70m, and would reach 90m. tonnes by the end of the decade, warned Mr Stephen Pettit, chief executive of BP Chemicals' petrochemicals division. Worldwide demand growth would average only 5 per cent before the year 2000. Unless action was taken, European operating rates would not Japanese may did chemical

not reach 95 per cent until the end of the decade. Mr Romie Hampel, chief operating officer of Imperial Chemical Industries, said only

a small start had been made in

the restructuring and rationalisation required in all parts of the chemical industry. "We are putting our heads in the sand if we do not recognise that in all branches of the industry there are too many players." Although the number of 70 per cent of the equity. European manufacturers had been reduced since 1960, there were too many in ethylene. ident of European petrochemi- low-density polyethylene, PVC and polypropylene. Many areas

However, Mr Pettit at BP the European industry was said there were not enough really uncompetitive crackers which were obvious candidates to influence significantly the capacity/demand imbalance. He called for the creation of a pan-European pipeline which would increase the merchant ethylene market and reduce

the rapid swings in prices.

Mr Pettit said the industry also needed more joint ventures, alliances and portfolio swaps, and sisting of assets

Mr Hampel said the pencha for diversification during the 1980s meant companies were now involved in too many peripheral businesses. Chemi-cal groups musiceek cost effec-

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Macedonia takes up proposal for new name

EC accuses Greeks over Serb boycott

By Lionel Barber in Brussels

GREEK companies are systematically breaking the United Nations trade embargo against Serbia, sending thousands of tonnes of oil to the former Yugoslavia, EC officials said yesterday.

Operators based in Greece are sending oil by road and rail via Romania and Bulgaria. undermining UN efforts to curb Serbian aggression through a tight trade ban, the official said.

Mr Abel Matutes, the Spanish European Commissioner responsible for Mediterranean affairs, laid out the sanctionsbusting dossier during a meeting of EC foreign ministers in Brussels on Monday.

Mr Matutes said up to two trains a day were leaving Greece for Romania carrying an estimated 1,000 tonnes a day. Several thousand tonnes more a week were being ferried by lorry from Greece to Bul-

Mr Matutes said he was not accusing the Greek government of sanctions busting, since private operators were recognition.

involved. However EC diplomats said the Greek foreign minister was embarrassed by the presentation.

The Greek representative told the meeting his country could not control the operations of private companies with genuine documents showing oil being shipped to another destination.

Greece has denied systematic violation of the sanctions and said it was investigating specific cases when Greek-operated vessels delivering oil were observed by western naval

The details of sanctions busting come amid fresh prospects of ending the dispute between Greece and the former Yugoslav republic of Macedonia. Greece has blocked EC recognition of Macedonian independence because it objects to the

use of the name Macedonia.

which is also the name of a province of Greece. Macedonia's President Kiro Gligorov will today ask parliament to adopt the name Republic of Macedonia (Skopje) in an attempt to win international

Greece has been stopping petrol supplies to Macedonia because of the dispute. However it recently agreed to release 21,000 tonnes of oil being held at Salonika to go to Macedonia. But it is still holding around 60,000 tonnes ordered by Macedonia last

The UK presidency of the EC is trying to overcome Greek opposition to recognition of Macedonia and wants to avoid at all cost a row break with the fragile Athens government before the Edinburgh summit. EC officials said there had been a serious breakdown of discipline among UN peacekeeping forces involving Russian. Ukrainian and Kenyan troops fraternising with Serbs. Mr Douglas Hurd, Britain's foreign secretary intends to raise the matter with senior UN offi-

An EC official said the incident could encourage Croatia's President Franjo Tudiman to carry out his longstanding threat to oppose an extension of the United Nations peacekeeping mandate in Croatia beyond March 1.



Mr Gaidar yesterday: his survival hangs on tight vote today

Yeltsin twists again in bid to salvage Gaidar

By John Lloyd in Moscow

MR BORIS YELTSIN, the Russian president, yesterday offered a power sharing deal and a further ministerial sacrifice in an effort to persuade the Russian Congress of Peoples Deputies to approve the reappointment of Mr Yegor Gaidar as prime minister.

A vote on Mr Gaidar, at present the acting prime minister and sole candidate for the post. is expected today. Mr Yeltsin's latest concessions to the middle ground in Congress mean the outcome of today's vote is likely be to very

Mr Yeltsin yesterday recommended Mr Gaidar to the depuand - to cynical laughter -"just smart".

that the Supreme Soviet, or smaller permanent parliament. be given the right of veto over the appointment of four ministers - defence, security, interior affairs and foreign affairs, the so-called "power block". Such an arrangement would probably seal the fate of Mr Andrei Kozyrev, the liberal foreign minister, whose pro-western sentiments and perceived

sians in other former Soviet republics have angered conservative and centrist deputies. However, as a constitutional change this move would need a two thirds majority - and the signs were yesterday that it would be unlikely to obtain

such a vote. Several faction leaders, who met Mr Yeltsin before the session, said that they would not vote for the deal because it did not include the key economic ministries. They also said they were unlikely to vote for Mr

Mr Vassily Lipitsky, a leader of the Civic Union block which has been negotiating with the president over economic ties as a man of courage, of reform and the government. devotion to the cause of reform said yesterday he "could not see a majority" - a minimum of 521 - for Mr Gaidar. The president also proposed

Mr Oleg Plotnikov, the co-ordinator of the "Smena" centrist faction in Congress said that "whatever I think about Gaidar, I know that the people who elected me in Kostorma would hate it if I voted for him. He is very unpopular in the countryside especially, where they haven't seen anything good from the economic

If not confirmed today, Mr their support.

Indifference to the fate of Rus- Gaidar may still live on as acting prime minister until the next Congress is convened in April - under a clause in the constitution which allows the president to appoint his choice as premier for three months before submitting a new candi-

Mr Yeltsin's offer, and the apparent willingness to sacrifice a foreign minister, marks the intensity of the struggle between the president and the parliament on the government's policies and personnel.

He has been unable, it seems, to conclude an agreement with the centrist Civic Union bloc which could deliver a stable majority of votes in the Congress - largely because the loose coalition of exert discipline over their noninal members.

However, his concessions to the middle ground means that the vote to confirm Mr Gaidar today is likely to be a cliffhanger, with at least some of the centrists believing that the changes in economic policy. foreshadowed in Mr Yeltsin's speech last week and in the outline agreement on policy reached between the government, were sufficient to attract

Sarajevo cut off by fighting

Geneva talks fail to make a start

INTERNATIONAL mediators yesterday failed to get Bosnia's Moslem-led government to talk to Mr Radovan Karadzic, the Bosnian Serb leader, agencies report from Geneva.

Diplomats said Mr Cyrus Vance and Lord Owen, cochairmen of the Geneva conference on the former Yugoslavia, had asked Mr Haris Silajdzic, the Bosnian foreign minister, to meet the rebel Serb chief. but Mr Silajdzic, and Croat leader Mate Boban, both refused to hold direct negotiations with Mr Karadzic to discuss maps showing their

Earlier Moslems, Serbs and Croats presented maps setting out their widely differing plans for a peactime Bosnia.

Although Serb, Moslem and Croat military officers from the three warring sides have held IIN-sponsored talks in Sarajevo, Moslem political leaders have consistently refused face-to-face contact with Serbs whom they blame for the slaughter in Bosnia.

Renewed fighting on the ground yesterday, especially around the Bosnian capital of Sarajevo, made real progress virtually impossible in Geneva. Fierce fighting broke out in Sarajevo yesterday effectively cutting it off from the outside world after Serb tanks closed the main road to the airport. Many parts of the city and its surroundings were under

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fire with the main assault on the battered suburb of Dobrinja. United Nations headquarters west of the centre also took a direct hit, wounding at

least one person. French peace-keepers said at least two Serb tanks on the airport road had fired some 20 rounds into the Dobrinja suburb. The fighting, the most serious in weeks, seemed to be out of control as the UN peacekeepers, who approached the Serbs to ask them to stop fighting, said they were forced to withdraw under fire.

French Colonel Armel Vout visions for the future shape of of the UN Protection Force described the situation as "very serious".

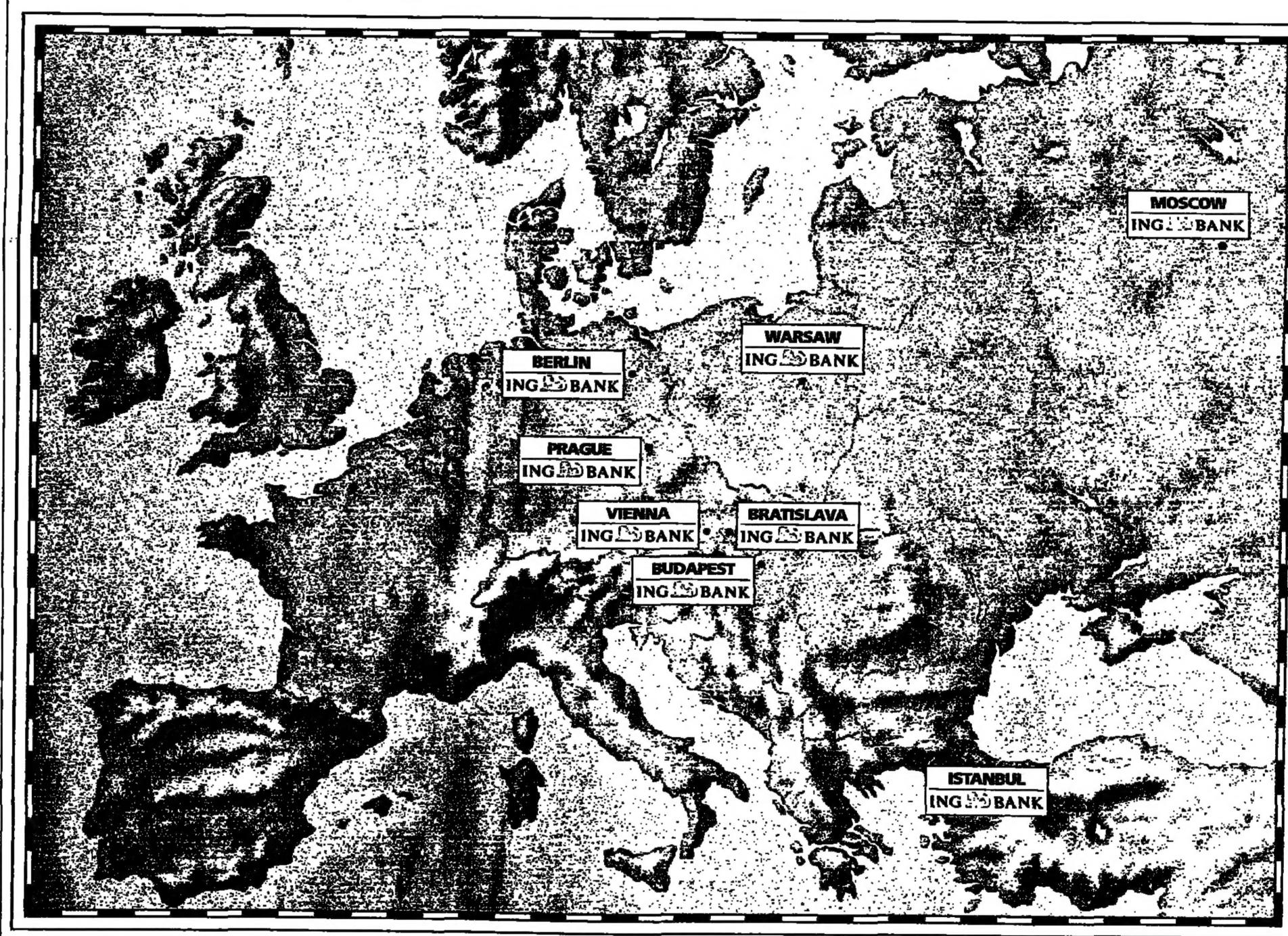
UN peacekeepers said fierce clashes between Serbs and Moslems were continuing along the airport road and on the only other route into the capital from Serb-held Ilidza. Sarajevo's airport has been closed for seven days because two UN planes were hit by small-arms fire last week. Serb and Bosnian command-

ers signed a UN-brokered agreement on Monday to respect the safety of humanitarian flights and to co-operate in keeping the airport road The agreement, which was to

have gone into effect at midnight on Tuesday, is now in Sarajevo's Kosevo hospital

was hit on Sunday by around

Leaders in Emerging Markets Banking and Trade Finance.



Hungarian poster ban in Romania investment

By Virginia Marsh in Bucharest

A ROMANIAN nationalist mayor has banned Hungarian language posters in the ethnically Transylvanian town of Cluj. Mr Gheorghe Funar said be

had outlawed the posters which advertised a Hungarian language theatre festival because they refer to "Kolozsvari", the Hungarian name for the town.

"I am the mayor of Cluj. There is no such place as Kolozsvari in Romania," he

A spokesman for the ethnic Hungarian party said the mayor's move was the latest in a "deliberately provocative hate campaign" against local ethnic Hungarians who form nearly a quarter of the 330 ingapitants of the town which was once capital of Hungarian-ruled Transylvania. Mr Funar, who ran unsuccessfully against President Ion Iliescu in presidential elections this year,

This recently prompted Hungarians to demand limited self-rule for their communities in Transylvania.

minority rights.

has imposed several curbs on

Romania has 1.6m ethnic Hungarians, 7 per cent of the country's population, according to a census this

Transylvania, where most of the Hungarian minority live, was ruled by neighbouring Hungary before 1918.

Czechs win more

FORBIGN investment in Czechoslovakia has more than doubled from 1991, the central State Bank said yesterday,

agencies report. "By the year's end, we count on direct foreign investments reaching some \$1.2bn," Czechoslovak State Bank's spokesman Mr Martin Svehla said.

Direct investments during the first three quarters of this year amounted to \$975.6m, a 61 per cent rise over 1991. "Some 53 per cent of that sum came in only between July and September," Mr Svehla said. But he explained this was the result of contracts concluded earlier in

Since 1991, when a reform designed by Premier Vaclav Klaus to achieve a speedy transition to a market economy came into effect, foreign investment in Czechoslovakia has

This year, most investments were made in construction. food processing and banking. Leading investor countries included the US and France with last year's biggest investor, Germany, ranking third. Among the companies waiting to move in next year were Renault, Bosch, Porsche

and Westinghouse. Covernment experts calculate next year's direct investments in the Czech republic could amount to \$1.3bn.

This year, Czechoslovakia also received some \$759m in loans from the world's leading financial institutions - the largest part, \$284m from the

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after murders

African

By Patti Waldmeir

in Johannesburg

THE SOUTH

Army (Apla).

government said yesterday it

was cancelling planned talks

with the ultra-radical Pan Afri-

canist Congress and would

hold no further negotiations

with the group until it dis-

tanced itself from attacks car-

ried out by its armed wing, the

Azanian People's Liberation

Yesterday the PAC further

enraged the government,

which is under pressure from

its white supporters to take a

tough line on racial violence,

by defending Apla, which has

claimed two attacks on white

civilians over the past 10 days.

Orde Boerevolk (Order of the

Afrikaans People), a white

splinter group, said it would

bomb black taxi ranks in retal-

iation. Other white right-wing

groups, most small but with

former and serving security

force officers among their

members, also threatened ven-

The Conservative party, the

largest white opposition group,

asked its supporters to report

to their nearest CP office to

Tour operators said publicity

over the attacks, notably in the

UK, had prompted some to can-

White South Africans have

been shocked by Apla state-

ments declaring war on whites

- despite the fact that, in a

country with one of the high-

est murder rates in the world.

the risk of falling victim to rac-

In the past, political com-

miss the PAC, which waged a

mentators have tended to dis-

cel Christmas holidays.

ist terrorism is small.

help counter the Apla threat.

Five people have died.

Mr Jahar Sengupta, chair-

man of ICI India, an affiliate of

the UK chemicals combine,

was less gium. He forecast that

there would be a serious set-

back in foreign investment in

India only if Mr Rao's govern-

ment falls - an event which

Finance Ministry's chief eco-

nomic adviser, said the main

impact of the crisis on foreign

investment would be on portfo-

lio investment. Businessmen

who knew India well and were

Mr Ashok Desai, the the

yesterday seemed unlikely.

By Stefan Wagstyl in New Deihi, R C Murthy in Bombay and Kunal Bose in Calcutta

INDIAN businessmen fear that the crisis sparked by the destruction of a mosque at Ayodhya by Hindu militants could harm the economy if the government does not rapidly

move to restore stability.

They fear that the riots, curfews and strikes which have followed Sunday's assault on the mosque will damage business confidence and jeopardise the reform programme of Mr PV Narasimha Rao, the prime minister.

They said much would depend on how quickly order was restored. "The next two days are vital," said Mr V. Raghuraman, secretary general of the Association of Indian

Industry.

Finance Ministry officials also acknowledged the crisis could affect sentiment if it were allowed to drag on.

The mood was particularly bleak in Bombay, which has borne the brunt of the riots. Many offices in the city were closed yesterday after disturbances in which at least 50 people were killed.

The incident was already having an effect on business life: Hindustan Aluminium, an aluminium producer, yesterday postponed the pricing of a planned \$100m Euro-equity issue because the Bombay stock market was closed so no price quotations were avail-

sharp drop in share prices and Industry, said: "Foreign

today, the first day the market investors don't just look for is due to open since the mosque's destruction. Hotels reported many cancellations. Mr Ratan Tata, chairman of the Tata group, India's largest company, said from his Bombay office: "The world is going to look at India as an unstable country. Political stability is one of the main considerations

governing foreign investment." Mr Nimesh Kampani, head of JM Financial and Investment Services, an investment broking company, said the incident would probably affect India's international credit rating - and make it more difficult for Indian companies to raise funds overseas.

In Calcutta, Mr Mumtaz Ahmed, a spokesman for the Stockbrokers prepared for a Bengal Chamber of Commerce

Takeshita confident he can avoid resignation

considering specific direct favourable government poliinvestments would not be so cies. They watch the situation easily put off. Mr Manmohan Singh, the finance minister, on the ground. Foreigners will who is in Washington, said be in no hurry to invest after the Ayodhya incident. We tend yesterday that now that the to forget that India is just one liberalisation measures "are seen to work, the reforms can of many investment options available to foreign investors."

only go forward". The mosque's destruction has held up government business, including economic policymaking, with ministerial timetables cleared of routine

work to make room for considering the crisis. The parliamentary committee probing the Bombay securities market scandal has postponed its meetings. If they are not resumed soon, that will delay | Faruta, director of the basic MPs' final report which is chemicals division of Japan's

expected to contain firm recommendations about finan-

may aid talks with PAC chemicals

By Paul Abrahams

JAPAN'S ailing petrochemical industry may be offered fiscal incentives to encourage rationallsation.

A strong possibility exists that tax exemptions, interestfree loans and other incentives could be offered to the industry in an effort to help restructuring, said Mr Hajime Ministry of International

Trade and Industry. Restructuring was needed because the Japanese petrochemicals industry was weak and uncompetitive, added Mr Furnta, in London for the Financial Times conference on petrochemicals.

The plight of the Japanese industry, the world's second largest after that of the US. with an annual turnover of nearly \$65bn was worse than in the last recession 10 years

Consumer demand seemed saturated and the inventory adjustment would last longer than during the last recession. Raw material prices were lower this time.

The industry had severe structural problems because of excessive competition. The sector was highly fragmented, with 12 ethylene manufacturers. The largest had 12 per cent of the market and the smallest 6 per cent.

Alliances and other forms of co-operation were needed, with both domestic and foreign pariners.

In the scramble for market share, excess capacity had been built up. Annual Japanese production next year would be 7.3m tonnes, while demand would be 6m tonnes. The industry was facing increased competition from

other Asian producers, especially South Korea. Miti estimates a global oversupply of ethylene of 5.2m tonnes a year by 1996. In addition, the slowdown in the Japanese economy meant there was more than two months' worth of stocks. Between April 1991 and high and low density polyethylene had fallen 36 per cent, with those for polypropylene

and polystyrene falling more than 40 per cent. The industry's profits last year had already fallen 45 per cent to under \$80m. For the first half of this year, the figures were worse, with profits down 80 per cent to \$12m. Five ethylene producers were in the red and others would follow. There was no question of intervention such as in 1983 when, after the "structural

more than 30 years until it was unbanned in 1990, but can claim few previous attacks on military or civilian targets. But they point out that the

guerrilla war from exile for

e page 44

African National Congress's decision to enter negotiations with the government has alienated some radical black youths, and has probably boosted PAC membership. Although a recent opinion poll put this at only 3 per cent nationwide, the organisation has recently struck a chord with radical township youths by condemning the white reaction to Apla's attacks: the PAC argues, not without foundation, that whites ignore thousands of black deaths and react only when whites also die.

The PAC army has established bases in the Transkei black "homeland", where three out of five members of the ruling Military Council are understood to be PAC sympathisers. Ironically, one effect has

been to cement the improving relationship between the ANC and the government, which are negotiating to rule South Africa by coalition in the transition to full democracy. In the face of PAC leaders defending their slogan "one settler one bullet", the ANC, which has condemned the attacks, appears more moderate.

The Apla campaign - even if it claims no further victims - is likely to undermine progress in constitutional negotiations. The government had succeeded in recent months in persuading the PAC to join talks on a new constitution, but PAC officials have now said they will no longer participate in talks, or in an interim government.

ita used the good offices of a insists he has done more for By Robert Thomson in Tokyo Japan than any other MP and gang boss to silence an extreme right-wing group regardless of the gang allega-JAPANESE opposition parties tions, is entitled to a dignified

yesterday went through the ritual of formally demanding the resignation from parliament of Mr Noboru Takeshita, the former prime minister, who has already defied two months of public demands that he take his final political bow.

Mr Takeshita's determination to remain the elder statesman of the ruling Liberal Democratic party reflects the ability of tainted Japanese politicians either to ignore demands for their departure or to feign a resignation, only to return a few months later. apparently "purified" by the experience.

In presenting the resignation demand to parliament, the three largest opposition parties claimed that Mr Takeshita had brought shame to the Japanese political system and "damaged its international reputation" through alleged gangster links. It is claimed that Mr Takesh-

which had mounted a "praise to death" campaign against him in 1987, before his selection as party president and elevation to the prime minister-

Having survived two sessions of testimony before parliament and secure in the knowledge that the opposition does not have the numbers to make its resolution stick. Mr Takeshita has told his aides that the worst of the crisis is over, and that they should concentrate on a cabinet reshuffle likely later this week.

He has justified his stand by arguing that "if I resign, people will think I am guilty", though the conflicting evidence given by himself and other LDP officials has prompted about 70 per cent of Japanese, as measured by opinion polls, to demand Mr Takeshita's resig-

exit from politics. He also says the party owes him a large favour for his resignation as prime minister in 1989 during the Recruit stocks-for-favours scandal.

Mr Takeshita argues that he deserves credit for having negotiated the introduction of a controversial consumption tax, and that his skills contributed to the resolution of various complex bilateral disputes, including a decade-old debate with the UK government over exports of whisky to Japan.

While Mr Takeshita is confident he has survived, he recognises that another term as prime minister is out of reach. Conscious of his place in political history, he had hoped to clear his name with a scandal-free second term and had presumed that a lack of obvious successors to Mr Mivazawa In private, Mr Takeshita would provide an opening.



Noboru Takeshita: told aides that the worst of the crisis is over

UK, China resume HK talks Torture rife in Chinese

By Simon Holberton In Hong Kong

BRITAIN and China yesterday began three days of talks on the future of Hong Kong and devoted the first session to a recitation of known positions about proposals made by Governor Chris Patten for more democracy in the colony.

China urged Britain to withdraw the governor's proposals and abide by the 1984 Sino-British Joint Declaration and the 1990 Basic Law - the mini-constitution drafted by Beijing for Hong Kong when it reverts to Chinese sovereignty in 1997.

Mr Tony Galsworthy, Britain's representative, again offered China talks on the proposals which envisage a broadening of the franchise in elections due in 1995.

the 25th to be held by the Joint between China and the UK Liaison Group which was set up, in accordance with the Joint Declaration, to oversee orderly transfer of sovereignty of Hong Kong to China. British officials do not expect much

progress to be made this week. Mr Patten's proposals initially won widespread support in Hong Kong. That support, however, has weakened in the face of a concerted campaign by China to discredit the governor, and local concerns about Mr Patten's style of leadership. Yesterday's Economic Jour-

nal, Hong Kong's leading financial daily, carried an editorial that was very critical of the governor's style.

George Graham adds from Washington: US Presidentelect Bill Clinton said yesterday he was "very concerned" The latest round of talks is about the mounting tension

over the future of Hong Kong. and hoped the US could play a "very constructive role in relieving those tensions."

"I think it is clear from the activities in China in the last few years that the Chinese desperately want to maintain the economic engine of Hong Kong. I hope they understand they really can't maintain it unless they also maintain a large range of personal freedom, liberty and human rights." he told a meeting of media executives in Washing-

ton yesterday. Mr Clinton, who during his election campaign criticised President George Bush for taking too gentle an attitude to Chinese human rights abuses, said he might want to say more on the subject after he enters the White House.

jails, claims Amnesty

By Yvonne Preston in Beiling

BRUTAL and sometimes fatal torture has become endemic in Chinese jails in the past 10 years, although the country's law forbids it and China has ratified the UN convention against it, Amnesty International reports today.

Amnesty says continued campaigns to crush crime and political opposition have fuelled human rights violations, including arbitrary detention, executions and torture. Its report details dozens of cases, some involving women and children, beaten, shackled for months on end. given electric shocks, and kept in dark cells too small to stand up or lie down in, Amnesty says: "We believe

the law enforcement and justice system in China actually foster torture". Prisoners have few rights. Many are abused into confessions. Amnesty accuses China of failing to provide basic safeguards to protect prisoners. Many are held with no right of access to lawyers, and at the mercy of police and guards.

China says it follows up cases of torture. A British human rights delegation was told last week that 400 cases of torture were investigated in 1991, leading to penalties against the torturers. Amnesty cites the same figure, which it believes represents only a fracadjustment law", almost 30 tion of the real number of cases. It urges China to protect per cent of capacity was shut. prisoners and end the impu-But Miti would try to act as a nity many prison guards enjoy. catalyst.

Zambia eases foreign exchange regulations stantially deregulated. Zam-

By Tony Hawkins in Herare

ZAMBIA has liberalised its foreign exchange regime by with donors in Paris on Friday. As a result, the official rate has been devalued 29 per cent from 248 kwacha to the dollar to K320. Before the move, announced on Monday night by the Bank of Zambia, the stronger official rate had applied to copper exports, accounting for 90 per cent of total foreign earnings, as well as to official payments abroad for debt service, fuel imports

fertiliser. Since the Movement for Multi Party Democracy (MMD) government was elected 13 months ago, the foreign exchange market has been sub-

and other key imports such as

bians can buy up to \$6,000 per transaction at bureaux de change to pay for imports, sermerging the official and free vice payments and foreign October this year, prices of market rates, before a meeting travel, with no limit on the number of transactions and no documentation required.

The effective devaluation of the official rate will boost the domestic currency earnings of the government-owned Zambia Consolidated Copper Mines and will also have a favourable impact on government revenue. But costs and prices will be adversely affected, temporarily exacerbating inflation currently running at more than 100 per cent.

Officials are confident, however, that the worst of the inflationary spiral is over and that inflation will slow to 20 per cent by the final quarter of

prising, he plans to eliminate

the economic system on the

back of which he and Hyundai

prospered. He would stop

cheap loans to the chaebol and

break them into more autono-

mous units to achieve greater

"When the country was

small, we needed to combine

together to compete against

larger companies. Now we

The activist and the tycoon in tussle for South Korea presidency

Two very different sons of the nation want to be the first opposition candidate to win office, write John Burton and Alexander Nicoll

imprisoned by South Korea's former military dictatorship, Mr Chung Ju-yung was building the country's largest corporate empire with the help of subsidised govern-

Now both want to become the first opposition candidate to win the presidency. In spite of their contrasting backgrounds, their platforms for the December 18 elections are strikingly similar, especially on opening up the flagging economy.

Mr Kim, the 67-year-old democracy campaigner, has his best chance of gaining the prize he sought in 1971 and 1987. He was repeatedly jailed and exiled during three decades of struggle against the military regime.

He survived assassination attempts, was kidnapped from Japan by the Korean Central Intelligence Agency in 1973 and

had a death sentence commuted at the last minute in

His fate in the elections depends largely on the number of votes captured from the government by the populist, Ross Perot-style campaign of Mr Chung, founder of the Hyundai industrial group.

The gruff 77-year-old, who rises at 3am each day and walks to work surrounded by a gaggle of his sons, is a former construction worker and truck driver who built Hyundai over some 45 years into Korea's biggest chaebol, or family-owned conglomerate. He entered politics last year in frustration at attempts by the government to restrict the activities of groups

such as his. Mr Chung's gain in popularity has raised the possibility that he could win enough votes from Mr Kim Young-sam, the ruling party candidate, to give victory to Mr Kim Dae-jung. There is even speculation that



Chung Ju-yung: a Ross Perot

Mr Chung could win. Mr Kim Dae-jung is taking two views of the official investigation launched this week of

alleged secret funding by

Hyundai of the United People's Party - charges which Hyundai and the UPP deny. On the one hand, he is dis-

missive of Mr Chung's candidacy. In an interview on his campaign bus, he said Mr Chung's career had not contributed to the development of democracy and that his candidacy had corrupted politics. Mr Chung, he said, "has not been able to distinguish between the corporation and politics"

"He is using all his employees and even his subcontractors as party members He is promoting money politics in

the election.' But Mr Kim is also calling for fairness in the supervision of the elections. He says the ruling Democratic Liberal party is also guilty of violations and that the government probe is a blased attempt to prevent him from winning. The government insists it is neu-

Though there are similarities

between the platforms of the three main candidates - they all promise deregulation of the economy to boost flagging growth - Mr Kim Dae-jung is emphasising improvements in social welfare and a reduction of regional divisions within South Korea, as well as improving the popular image of bickering, ineffective politicians. He says he would offer 10 out of 26 ministerial. positions to the other main parties.

He wants a phased, peaceful. re-unification with North Korea and sees foreign policy continuing to be based on a close relationship with the US. with Washington remaining as the stabilising influence in east.

Mr Kim suffers from a perception among voters that he is too old a face and, because of his struggles with the military, that he has radical anti-establishment views. This is despite attempts to re-model his image



and his clear espousal of freemarket economic policies. He argues that his close association with the trade union movement would help him

reduce the industrial strife which has convulsed Korean industry since democratic reforms five years ago. By contrast, Mr Chung's non-political career and his success in business appear to be winning him votes. To

many Koreans, he personifies the country's rags-to-riches story. Because of his huge fortune - he says it is \$4bn - they feel that he is unlikely to become enmeshed in the corruption which pervades Korea's political system. Calling himself the "economic president. Mr Chung

strikes a chord with his promises of very rapid economic growth, low inflation, projects. to improve infrastructure, low. housing rents and rapid dere-"I would like to reduce gov-

everything in the hands of the marketplace," he said in an - Perhaps what is most surneed to break them up in order to achieve international competitiveness." Mr Kim Daejung, like many politicians, dismisses Mr Chung's rough-and-ready pre-

efficiency.

scriptions and bold promises as "baseless". But there is no doubt that they are exciting voters who profess disillusionment with the political process and yearn for strong leadership. If one of the opposition ernment control and leave candidates wins, his challenge will be not only to spearhead economic development, but also to build greater faith in democracy.

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Hungary buys US military hardware

By Nicholas Denton in Budapest

THE US has agreed to supply. military hardware to bolster Hungary's air defences following repeated breaches by jets from neighbouring Yugoslavia. The arms sale, the first by

the US to a former Warsaw Pact nation, involves "identification-friend-or-foe" (IFF) equipment and is worth \$12.9m (£8.4m). Under the deal US suppliers will deliver four groundbased radar stations and electronics for 118 military aircraft.

The equipment will allow the Hungarian air force to leave the IFF system inherited from the communist Warsaw Pact and to distinguish the country's own planes from those of former allies.

Hungary's need for firmer air defences became apparent a year ago when war in Yugoslavia spilled over the border and a series of territorial violations culminated in Yugoslav aircraft bombing the southern Hungarian town of Barcs.

The agreement also demonstrates Hungary's success in establishing close security ties with Washington in advance of eventual membership of the North Atlantic Treaty Organi-

sation, Budapest's goal. The purchase from the US comes within a month of deals for military spare parts from Germany and Russia. Hungary maintains its mili-

tary acquisitions are defensive and do not change the regional balance of power, which remains strongly in favour of the country's neighbours. Sikorsky, the US-based helicopter manufacturer, yesterday signed a \$1.1bn deal with Turkey for the sale and co-produc-

AP reports from Ankara. Sikorsky will deliver 45 helicopters to Turkey in nine months, and a further 50 helicopters will be co-produced in Turkey over four years.

tion of Black Hawk helicopters.

Turkey, which has been step-. ping up efforts to modernise its military, will also receive 50 A-10 fighter aircraft and 100 Cobra helicopters from the US over the next five years.

Recovery is in place, but taking its time out once consumer and busi-

WICE in the past two years US economic recoveries have lost momentum in spite of promising signs of faster growth. It is hardly surprising, therefore, that president-elect Bill Clinton is treating the latest evidence of an upturn with cau-

"We may or may not be coming out of our recession," he told students in Chicago this week. "There are some good indicators that we are."

In fact few forecasters doubt that the US has emerged from recession: gross domestic product has grown every quarter since the spring of last year. The debate centres on whether the economy is at last emerging from a prolonged bout of stagnation that encompassed almost the entire Bush presi-

. Real GDP growth has averaged less than I per cent a year since 1989. Rven if the faltering upturn that began in May 1991 is taken as the starting point, growth has averaged less than 2 per cent, or about a third the nace normal in the early stages of US recoveries.

Revised figures indicating growth at an annual rate of 3.9 per cent in the third quarter and a flurry of encouraging short-term indicators - such as recent jumps in consumer confidence, factory orders, and the Purchasing Managers' Index - have prompted speculation that the economy is now moving up a gear.

Some of the structural drags on growth do seem to be easing. Lower interest rates and repayment of old debts have reduced the fraction of personal and corporate income absorbed by debt service, allowing both sectors to spend

Productivity-led growth likely for US, writes Michael Prowse

a little more freely. Real corporate profits were up by nearly a quarter in the third quarter relative to the same period last year. reflecting, in part, faster growth of productivity than

Mr David Hale, chief economist at the Kemper group in Chicago, points out that bank profitability and capital ratios have also strengthened sharply, allowing an easing of the "credit crunch". There is anecdotal evidence, he claims, of an upturn in bank loans tosmall and medium-sized companies - the sector responsible for the bulk of job creation in the 1980s.

ut the improvement is recent and modest; and growth is likely to be restrained by other structural weaknesses. "There are too many drags on the economy for a normal recovery tooccur." say Roger Brinner and David Wyss, economists at DRI/McGraw Hill, the forecasting group. They fear that defence cuts will hold back recovery in many regions: defence spending as a share of federal expenditure is projected to fall from 27 per cent

last year to 17 per cent in 1995. They predict continuing softness of commercial real estate owing to chronic overbuilding in the 1980s. And, like most other forecasters, they are pessimistic about US exports, one of the main engines of recent growth. Demand is slowing in many important markets. including Europe, the Far East and Mexico.

But with domestic consumption accounting for two-thirds of economic activity, the spending proclivities of the US consumer will dominate the economic outlook. In the third quarter, consumer spending grew at an annual rate of 3.7 per cent, and retailers are predicting a merrier Christmas than in 1990 or 1991. Yet doubts

of personal spending. The savings rate fell sharply in the third quarter to 4.5 per cent, against 5.3 per cent in the second quarter. A further decline seems improbable. Consumption will thus be determined by growth of incomes. And the perceived stumbling here is the continued sluggish pace of job creation.

persist about the sustainability

Last Friday the Labour Department reported the fifth consecutive monthly decline in the unemployment rate, to 7.2 per cent. But most of the fall in unemployment since the summer reflects a contraction of the labour force rather than new job creation. Private-sector employment has been roughly flat since the spring of last year, in stark contrast to previous recoveries.

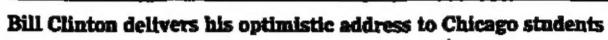
"The economy is probably still tracking the 1.5-2.5 per cent growth pace of the past year," concludes Mr Paul Mastroddi, a senior economist at J.P. Morgan, the New York bank. In keeping with most forecasters, however, he predicts a gradual acceleration of growth to 3 per cent or more in the second half of next year. The possibility of a faster

recovery should not be ruled

ness confidence returns, the US economy has a habit of snapping back faster than expected. But the likeliest prospect is the kind of steady, productivity-driven recovery experienced by European economies in the 1980s. In such recoveries, unemployment

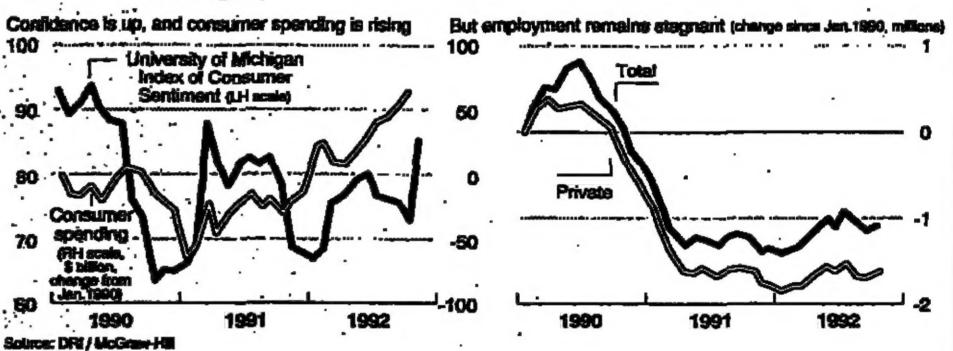
tends to stay relatively high. Such a recovery would suit Mr Alan Greenspan, chairman of the Federal Reserve, who hopes to make further progress towards stable prices in his second term. With inflation only just beginning to dip below 3 per cent, the Fed is unlikely to cut interest rates again and could raise them in the second half of next year.

For Mr Clinton's economic team, however, the figures pose a dilemma. The recovery is strong enough to make anything more than a token fiscal stimulus next year look risky. Yet it may be too sluggish to convince most Americans that he has turned the economy around. How Mr Clinton resolves this dilemma will be the first big economic test of his presidency.





US economy



Democrats poised to grant Clinton long honeymoon on the Hill

By George Graham in Washington

DEMOCRATIC congressmen yesterday predicted a "long honeymoon" for Governor Bill Clinton after a morning meeting with the president-elect on Capitol Hill. "Democrats on the Hill are starved

for someone to get along with at the White House, Bill Clinton's going to find no stubbornness up here," said Congressman Pat Williams of Mon-

But Republicans promised confrontation to the incoming president, signalling their intentions by ousting the moderate Congressman Jerry Lewis of California from chairmanship of the House of Representatives Republican Conference, the party's third-ranking leadership position, in favour of Congressman Richard Armey of Texas, a more pugnacious right winger.

Mr Clinton has already held a series of meetings with leaders of

both parties in Congress as well as with the 110 first-time members, who some have likened to the independent and reform-minded group of congressmen elected in 1974 in the wake of the Watergate scandal.

The "freshmen" have made their presence felt by interviewing committee chairmen seeking re-election, a tactic last adopted by the Watergate class. But early results from party caucus elections suggest that only minor cracks are likely to emerge in

the traditional congressional power structure, where seniority counts for almost everything.

True, 82-year-old Congressman Jamie Whitten of Mississippi, who can trump anyone on seniority by virtue of 51 years' continuous service, was ousted from the chairmanship of the highly influential appropriations committee. But Mr Whitten will be replaced by Congressman Bill Natcher of Kentucky, who at 83 is even older, but healthier.

Most other committee chairs appear safe, although a battle is brewing for chairmanship of the budget committee, which would fall open if, as many expect. Congressman Office of Management and Budget.

Leon Panetta is named director of the The race is expected to pit Mr Charles Stenholm, a fiscal conservative from Texas, against the more left wing Mr Martin Olav Sabo of Minnesota, with Mr John Spratt of South Carolina somewhere in the middle.

Brazil to act over surge in kidnaps

By Christina Lamb in Rio de Janeiro

IN AN attempt to crack down on a new wave of kidnappings in Rio de Janeiro, the Brazilian Congress is to vote this week on a project to freeze the assets

of captives' families. An Interpol conference last week said Rio was becoming the world centre of kidnapping. The city has a record number of 10 people in captivity, two of whom have been held for two months, while 146 cases have been registered this year.

Mr Mauricio Correa, the law minister, admits: "It's like a

raging epidemic.' Multinationals, such as Land Rover, planning to invest in Brazil are bypassing Rio as unsafe. The head of one foreign bank in São Paulo said: "Five years ago we couldn't get people to move from Rio. Now, no

one wants to stay." Victims are usually leading businessmen or socialites, or their relations, with the real number of kidnappings believed to be far higher than the 360 registered in the last three years. Many are not reported for fear of a repeat. The kidnappers are well

armed, with imported weapons and cellular telephones, and are controlled by the Red Command, the city's main organised crime gang. Evidence is also emerging of police involvement.

Mr Sergio Quintella, a local businessman whose son was released last week on a \$330,000 ransom after 49 days in captivity, has made a public appeal for people to come forward with information.

Some victims are starting legal action against the Rio state government for "omission", but Mr Nilo Batista, the state security secretary, said: "Kidnapping is one of the hardest crimes to prevent. In Italy it took 10 years to bring under control."

It is increasingly common to see local business people accompanied by security guards and driving battered vehicles, leaving smart cars in the garage.



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CREATING THE RIGHT CHEMISTRY



HE European and US companies still agonising over that first, tentative investment in Thailand or Malaysia have been left far behind by Mr Toshihiko Sekimoto, Asian general manager at Itochu, the Japanese trading

"We may be reducing our projects in Thailand. We have found it difficult to transfer technology and know-how to our Thai factories. We are very interested in Vietnam. India could be interesting," Mr Sekimoto says.

His comments reflect the changing emphasis of Japanese foreign direct investment, often motivated by a ill-defined desire for expansion or in the hope of reducing trade friction and elevating the corporate profile. Now, carnings are falling at home, capital costs are rising, and the stress is on profitability.

These changed circumstances are behind a 27 per cent fall in investment last fiscal year and a further 12 per cent in the first half this year. Companies are reviewing locations and project types - the US and continental Europe are out of favour, developers are selling not buying property, and manufacturers' priority is cheaper production of or

assembly of components. Figures compiled by the ministry of international trade and

Yield is guiding funds abroad, writes Robert Thompson

industry show that the average return on sales for Japanese investment projects in Asia has been 3 per cent and in Europe 1 per cent. while investments in the US are showing a return of -0.1 per cent. For manufacturing projects, Asia is showing a 5 per cent return, Europe 3.2 per yen), and the oil shock-affected cent and the US -0.9 per cent. 4.5 per cent in 1975.

Poor yields on foreign investment could be easily tolerated in the late 1980s, when sales were surging at home, and the gravity-defying Tokyo stock market provided funds at close to zero cost and allowed companies to supplement core earnings with quick profits on

Foreign direct investment (\$bn)

Japan

However, Nikko Research estimates that manufacturers' operating profit margin this year will average 3.1 per cent, down from the previous lows of 3.2 per cent in 1986, post-Plaza Accord (which caused a sharp rise in the value of the

One side-effect of the "bubble era" was an expansion of investment within Japan by the electronics, machine tool, and car industries, which have suffered some of the largest falls in profit over the past year and are under extreme pressure to relocate facilities in

Return on investment

☐ Europe Asia

North America

lower-cost countries. Mr Yuji Hosoya, deputy 8.6 per cent.

director of international business at Miti's industrial policy bureau, says the erosion of core profits has forced manufacturers into "survival" investment elsewhere in Asia. That trend can be seen in the jump in Chinese projects from 165 in 1990 to 246 last fiscal

Over the same period, Asian countries' share of new Japanese direct investment rose from 12.4 per cent to 14.3 per cent, the US share declined factory in every country. from 45.9 per cent to 43.3 per cent, and Europe from 25.1 per cent to 22.5 per cent - the UK

share fell from 12 per cent to The pace of change has quickened markedly this year.

Investment in China is likely to double from the \$579m of 1991, while investment in continental Europe is expected to be about 30 per cent lower, with a smaller decline in the UK. Asia is generally an increasingly popular site for new projects, but companies are more strategic in choosing a site for investment, and no longer motivated by the desire for a

In emphasising the need for better returns. Mr Sekimoto explains that Itochu has a textile spinning mill in Thailand and another in Vietnam. The Thai plant has about 2,000 local employees and requires 22 Japanese specialists, while the Vietnamese plant has 1,700 staff and no permanent Japanese managers, but is 2.5 times larger than the Thai factory. He says lower salaries in Vietnam add to the attraction of that country as an invest-

ment site: "A monthly salary in Thailand is between \$70 and \$80, but in Vietnam it is \$20. The Vietnamese are twice as productive, which makes them eight times cheaper than Thai workers."

access to the flourishing domestic market and because it is suitable low-cost centre for assembly or components production for the international market. They are not rushing to sign contracts in Hanoi, as concerns remain about infrastructure and legal protection, but Vietnam will experience a long-term increase in invest-

slows to other countries. The resumption of Japan's official development assistance to Vietnam last month provided extra encouragement to investors.

ment while the flow of money

Mr Sekimoto provided another clue to the future flow of Japanese funds in Asia. He has devised a rough scale of worker productivity, based on nis experience with projects in the region - Indonesia and Malaysia are at the bottom rating a 1, India and Sri Lanka 1.5, Thailand 2, Japan and China 3, Korea 3.5, and Viet-

nam 4 "One thing I found in Bangkok is that some workers would leave us after only a year and boast that they had been trained by a genuine Japanese company. It is important that workers want to go on learning," he said. "If you go to Vietnam, there are a lot of book shops. They are always wanting to learn."

Japanese companies are keen on China because of increasing third world

By William Dawkins in Paris

FRANCE is planning to increase its development aid budget to help stimulate third world markets, Mr Michel Sapin, its finance minister. said yesterday.

By the end of the decade annual aid spending would be raised from last year's 0.56 per cent of gross domestic product, or FFr30bn (£3.64bn), to 0.7 per cent, he told a meeting of advisers from the Direction des Relations Economiques Exterieures, the state foreign trade

Its current aid budget, which has risen by 6 per cent a year over the past decade, is already well above the 0.31 per cent average for the Group of Seven richest industrialised nations. "We are aiming to ensure durable development in these countries," he said.

At the same time Mr Sapin recognised that budget constraints would oblige France to be more selective in channelling aid. Concessional finance would be limited to the poorest countries. Sales to other mar-



kets would be offered export credit insurance through the Coface state organisation according to those countries' risk premiums.

Mr Sapin was speaking on the second of a five-day gathering of the trade board's 172 foreign-based economic_counciliors, called as part of a campaign to improve its sensitivity to the needs of French exporters and companies planning foreign investments.

Japanese tips for chip makers | Steel back in the melting pot

Source, Mirostry of Financo

By Michiyo Nakamoto

THE first Japanese trade mission to Europe of semiconductor users has arrived in Paris to teach European microchip manufacturers a few tricks on how to sell their goods in the fiercely competitive Japanese market.

"I believe the Japanese semiconductor market is open and freely accessible," said Mr Nobuo Kanoi, executive deputy president of Sony, the Japanese consumer electronics and entertainment group, who is heading the mission.

Poor communication has meant Europeans are not well enough informed of Japanese market needs while the Japanese often do not know what Europe has to offer.

Europe's share of the Japanese chip market is estimated at between 1-3 per cent. This compares with about 16 per cent of the European market held by Japanese compa-

nies, according to Dataquest, the high-technology consul-As well as insufficient information about what Japanese users require, European suppliers are hampered by a lack of recognition in Japan. They also need to meet Japanese

and after-sales service. For example, Sony has difficulty obtaining European components for miniaturised consumer electronics products. such as the Walkman, which are key Sony products, said Mr

Klaus Wangerin, general man-

ager of European procurement at Sony Europe.

Mr Ernie Pusey, sales and marketing director of GEC Plessey Semiconductors, the UK company, believes the secret of success in Japan "is having Japanese people on the ground employed by your company". Engineers who speak Japanese are crucial.

Having unique products also helps. GEC, which manufactures specialised rather than commodity products, has seen sales in Japan double to about standards in terms of delivery 4 per cent of total turnover and expects the same in the current year.

> So far there is no official target for European market share in Japan, although an unofficial figure of 5 per cent is talked about.

By Nancy Dunne in Washington

"Pre-tax profit as a % of sales of Japanese foreign manufacturing ventures

SINCE announcing the restart of the Multilateral Steel Agreement talks - in Geneva today - US trade officials have steadfastly denied any connection with the 84 dumping and subsidy cases filed by the nation's steel industry.

They say they want to break the cycle of trade cases and restraint agreements, but to do so they must provide effective disciplines on trade distortions. The MSA talks are to deal with future dumping and subsidies. while the steel cases are considered protection against

uncompetitive practices. When the talks broke down on March 31, the negotiators had generally agreed on phas-

ing out tariffs over a 10-year period, prohibiting non-tariff barriers and setting up a mechanism for settling disputes.

However, the talks foundered on the EC's wish that subsidies be allowed to continue for research and possibly for development, plant closure, workers' assistance and environmental compliance. The US also refused to give advance notification before unfair trade cases were filed.

Breakdown coincided with the end of seven and a half vears of quota protection for the US industry, leaving it free to pursue unfair trade complaints. Many analysts expect demands from foreign governments for further political "suspension agreements" - resulting in market-sharing of

sorts in exchange for the dropping of the unfair trade cases - after the Commerce Department announces steep dumping margins next month.

Steel producers insist they will follow the cases to their conclusion and will not be pushed into accepting a deal. The International Trade

Commission, which must find

evidence of injury before antidumping and countervailing duties are made permanent. cannot be relied on for support. US steel prices are very depressed, but the cause could be attributed to the recession and over-supply rather than foreign steel. It is not impossible that, under pressure from a new administration, the indus-

try will agree to quotas, provid-

ing price floors are built in.

Halcrow in HK project

HALCROW Asia Partnership has won the contract to design two stretches of railway tunnel, totalling 2.65km, between Hong Kong and the new airport at Chep Lap Kok, Andrew Baxter writes. The company is part of Halcrow, one of Britain's largest consulting engineers. Construction should begin in about 12 months.

Malaysian power

Tenaga Nasional, the partially privatised Malaysian electricity utility, has signed a M\$272m (\$109m) contract with Marubeni of Japan to build a gas turbine power plant, writes Kieran Cooke in Kuala Lumpur. Construction will start immediately at Malacca or peninsula Malaysia's west coast, and is due to be completed by the beginning of 1994.

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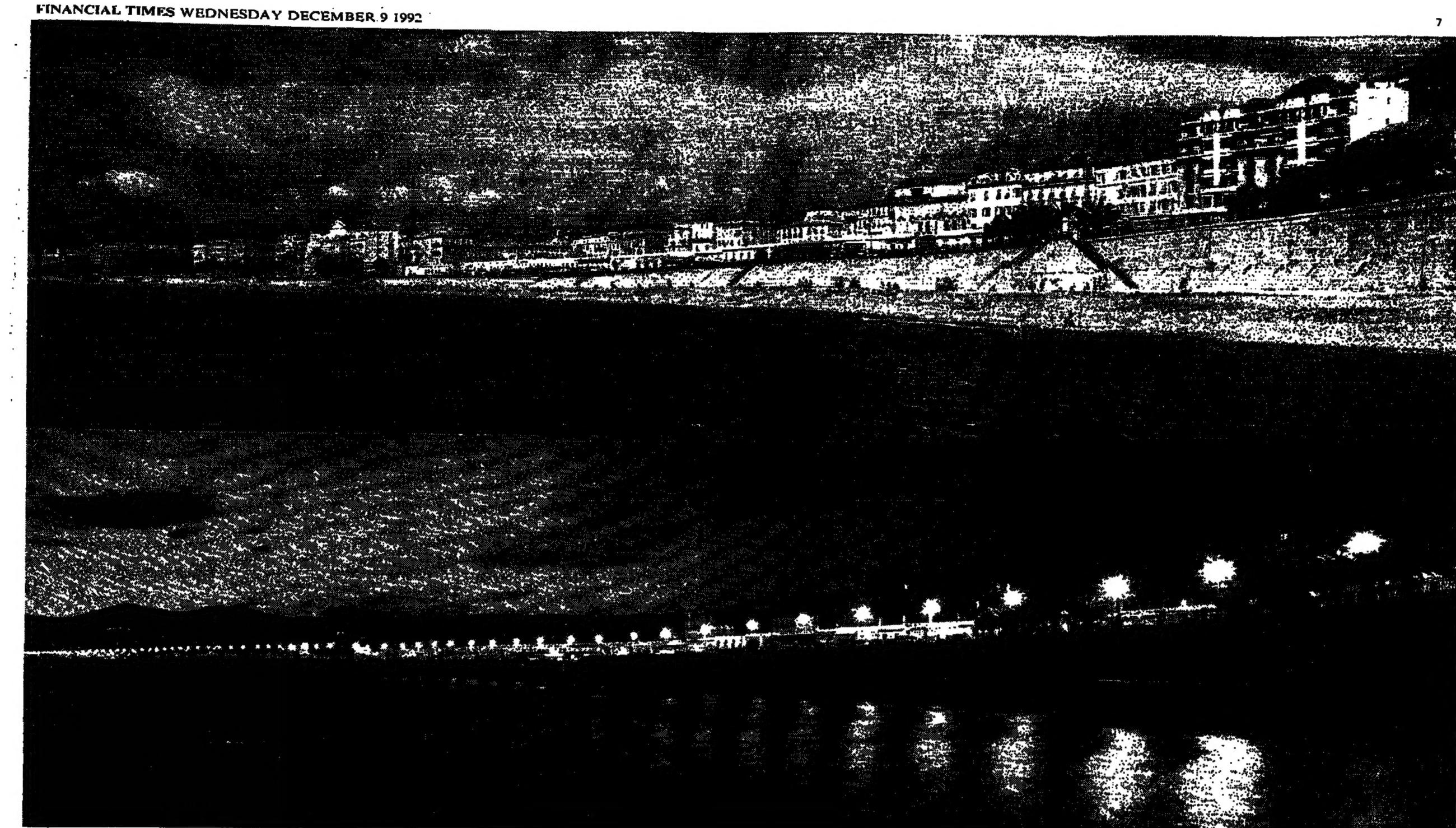
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THE SERIOUS ALTERNATIVE

Olympic arena wins £35m grant

The government announced the largest city grant for a singie project - £35.5m towards an indoor arena as part of Manchester's bid to stage the 2000 Olympic games.

The £50m arena will be part of a £200m redevelopment of Manchester's Victoria Station a city centre rail terminus - by Vector Investments, part of the Bovis construction group.

Plans include a glassed-in concourse with shops and cafes, a 46-storey tower block housing a 1,000-seat conference centre and offices, with a five-star hotel on the top 12 floors.

Ulster bomb costs to be met

The Treasury is to underwrite any extra costs incurred this year by the Northern Ireland Office in compensating for terrorist damage in the province - but is still resisting any help for insurers on the UK mainland, saying there is no parallel between Ulster and the situation on the mainland.

French trawlers meet blockade

Fishermen continued their blockade of Lochinver, in Sutherland, west coast of Scotland, to keep out French trawl-

Fifteen boats were lashed together across the entrance to the harbour. A large French vessel with engine trouble lay inside the blockade and eight 60-metre French boats were outside the harbour. None tried to beat the blockade.

The Scottish fishermen are angry about EC rules which allow foreign boats to land haddock and cod at Lochinver when local vessels are prevented from doing so because they have filled their European fishery quotas.

Lawyers back plea bargains

Nearly 90 per cent of barristers (lawyers who appear in higher courts in England and Wales) and two-thirds of judges are in favour of the introduction of a formal system of plea bargaining according to a survey of Crown Court trials conducted by the Royal Commission on Criminal Justice.

The study, based on questionnaires to all the participants in every Crown Court trial in England and Wales during the last two weeks of February, found almost unanimous approval for the jury sys-

TSB to cut 400 jobs again

The Trustee Savings Bank disclosed that it expected to nearly double the number of staff redundancies caused by the merger of its banking and insurance operations by making 400 junior branch managers redundant in the new year.

The bank, which announced last month that it was making 440 staff redundant, said the merger of operations into TSB Retail Banking and Insurance together with the downgrading of 200 branches had left it with surplus junior managers. | boom.

Britain in brief Ford car price rise provokes wide protest

ings of around 6 per cent.

undoubtedly been hurt by it.

ling £2.48bn were mostly offset

by exports of £2.27bn. So argu-

Mr Stephen Locke, the Con-

sumers' Association's director

of policy, said last night Ford's

move "confirms all our worst

fears about the manufacturers'

desire to see the UK as a high-

Prof Garel Rhys, professor of

motor industry economics at

Cardiff Business School,

suggested the rises may indi-

cate a strategy change by Ford.

"It may well mean that, having

accepted that its once-tradi-

tional 30 per cent share is his-

tory, it has decided that even a

25 per cent share is not worth

buying and that it is better to

settle for 20 per cent with sales

With Ford reportedly plan-

ning to cut up to 10 per cent of

its 97,000 European workforce

soon, its apparent willingness

to trade sales for higher prices

seems likely to renew specula-

tion about whether it might be

preparing the ground for a

But this remains extremely

unlikely. Ford has consistently

denied any such intention and

most analysts believe that a

longer and deeper European

car market recession than is

currently forecast would be

needed to justify any major

that are profitable."

plant closure.

price, high-profit market."

than some rivals.

By John Griffiths

FORD yesterday announced plans to increase car prices by between 41/2 per cent and 10 per cent, surprising the indus-try and provoking consumer group and political protests. Ford, which has been heavily

lossmaking and whose UK market leadership is under severe pressure. blamed the increases on sterling's devaluation and other cost increases.

The price rises, effective from January 3, are larger than any so far imposed or indicated by other manufacturers, even German importers most badly hit by devaluation.

They drew protests from the Consumers' Association and opposition politicians that Ford appeared to be seeking to lead a move for the industry, not consumers, to reap the benefit of the recent abolition of 5 per cent special car tax.

Ford rejected the allegation. claiming: "Our costs have risen far more than the increases we have put forward as a result of the devaluation."

Nevertheless, its move was being seen as a potentially risky gamble by some industry analysts last night. Vauxhall is challenging its leadership. With other rivals professing little inclination towards further rises, Ford may find itself isolated while bearing the brunt of consumer criticism over the already stormy issue of perceived high UK car prices.

Rover Group said it had no plans to raise prices, as did Vauxhall, which announced a 3.25 per cent rise just before car tax was abolished.

German manufacturers have already put up prices and may increase them further in the

Generators may have to burn more coal

By Michael Smith

LAWS requiring electricity New Year. However, BMW and generators to use more coal are among options being consid-Mercedes have indicated ceilered by the government in its Sterling has been devalued efforts to keep open some of the 31 coal pits earmarked for by about 11 per cent against the D-Mark and Ford UK,

which lost \$761m last year, has Mr Michael Heseltine, secretary for state for trade and industry, also disclosed yester-Even so, its £214m balance of trade deficit last year was day that his department is looking at cutting the cost of arrived at after imports total-British coal through subsidies or further levies on consumers. ably its has been less badly hit

He told MPs that it was a "genuinely open review" and that the government had not reached views on any of the 15 areas for action which had been identified by the review

Many of the options, however, were subject to European Community and international constraints.

Those constraints were highlighted separately yesterday when Mr Cardoso e Cunha, European energy commissioner, told a House of Commons select committee that the UK would have to reduce the nuclear levy, raised among electricity consumers, if it wanted to subsidise coal

The review is likely to include consideration of the "dash for gas", Magnox power stations, and electricity prices. Other areas for investigation

 Reducing coal cost production through changing working practices and privatising pits. • Trade in coal, through increasing exports of British coal and substituting imports, and in electricity, through the interconnectors. The impact of environmen-

tal commitments, including those relating to carbon emissions and desulphurisation. and opencast mining.



Police yesterday launched an investigation into an arson attack which destroyed the Shree Krishna Hindu temple in West Bromwich, in the English Midlands. Other attacks against Hindu centres came in Birmingham, Bolton, Bradford, Coventry and Derby. Meetings were held to allay fears that tensions in India, following the destruction of the mosque in Ayodhya, might spread to the UK.__

SURVEY OF INTERNATIONAL FUEL COSTS

Gas price up 4.2% for industry users

By Deborah Hargreaves

LARGE industrial users of gas in the UK have seen their fuel costs rise by 4.2 per cent in the past year while British Gas has been cutting prices to domestic customers. The increase was the second highest recorded in a survey of international gas prices by National Utility Ser-

British Gas has raised the price for companies receiving an interruptible service which means they can be cut off at short notice and for which they have traditionally paid very low prices.

"Any UK manufacturing company on an interruptible contract would not be at a competitive advantage compared with its competitors in the countries we surveyed. In

fact it would be at a major disadvantage," said Mr Andrew Johns, director of NUS.

Overall, the UK ranks sixth out of nine countries when comparing the price charged to business users. But NUS stressed that it is in the bulkvolume, low price sector of the industrial market which has not been penetrated by rivals to British Gas, where prices are rising most rapidly.

German industrial users. however, have seen their gas costs reduced by 22 per cent over the last year. The UK was beaten only by Belgium which raised gas prices by five per cent last year. Sweden is the most expensive country in gas

costs to big users. Mr lan Powe, chairman of the Gas Consumers Council. who warned on Monday that hig users would face substantial price increases said: "(the keep prices to customers survey) tends to confirm the view that some sectors of the industrial market are seeing no benefit from competition."

Mr Cedric Brown, chief executive of British Gas, stressed that domestic prices for gas had fallen by over 20 per cent in real terms since 1986. At the same time, contract prices (to non-interruptible industrial users) had dropped by 25 per: cent in real terms.

Meanwhile electricity bills in England and Wales should see a small reduction starting next "April as a result of a cut in the fossil fuel levy.

Prof Stephen Littlechild, the electricity regulator, announced yesterday that the levy on bills will be cut from 11

per cent to 10 per cent. He said:

"This should help suppliers down."

 British Petroleum is to cutpetrol prices by 13.6p a gallon - 3p a litre - with effect from midnight tonight, ending the steady increase in prices since September.

The reduction reflects falling oil prices and the strengthening of sterling against the dollar. World oil prices have fallen by almost \$3 a barrel since October.

• Construction of a £290m gas pipeline link between Scotland and the Irish Republic will begin in February following yesterday's signing of an agreement in Dublin. The project to lay the 179-mile nipeline most of which will be on the Irish seabed - got the government go-ahead last year.

Treasury includes fierce critics in panel of outside advisers

The British Treasury is fierce critics of the Treaoutside economists to

advise it on the economy. The panel includes some of Britain's best known

breaking with convention sury's record on economic adviser Alan Budd. A by appointing a panel of management during the detailed report will go to continuing recession.

The panel will meet three times a year and economists, including give a range of views on same one, will be pub- years and getting its fore- trends. who have been the economy to officials,

headed by chief economic chancellor of the exchequer, and another report,

Behind the idea of the casts wrong.

panel, which is to meet for department to a greater the first time in January range of outside views, late 1980s boom and the Mr Norman Lamont, the or February of 1993, are the Treasury hopes to style is too introspective. the attacks on the Trea- take practical steps It is also hoped that it will sury for misreading the towards better underalmost certainly not the economy over the past few standing of economic enough weight is given to

panel's establish ment economists.

By opening up the ment is expected to counter criticism that the Treasury's management counter criticism that not opinion from non-govern-



Liverpool University

Former Treasury economist and another member of the monetarist Liverpool Six. Like Congdon, scornful of Treasury performance in analysing the economy but disagrees with him about the correct way to measure the money supply. Ardent free-market thinker who says he would have liked to have been Gladstone, the tariff-cutting 19th-century UK chancellor of the exchequer. More accurate than most economists in recognising early on the extent of the recession, but was not particularly prescient in warning of the late 1980s



Cambridge University

Arch-dissident of economics profession. Has since the 1970s predicted long term problems for the UK economy arising from weakness in manufacturing and tendency for UK to suffer large current-account deficits. Nicknamed "Gloomy Boots" by some of his students, his lectures can sometimes be hard to understand. His forecast in May 1991 that the UK economy would contract by 2.7 per cent last year and by a further 0.9 per cent this year has turned out more accurate than any other projection made by a mainstream British economist.



economist, Goldman Sachs

The thinking person's economist; former Downing Street adviser in 1970s Labour government; since made his fortune with one of the world's top-rated investment banks. Rarely at a loss for a cogent phrase on the economy, Davies is one of the slickest performers in forecasting and is highly rated in the Treasury. Was too quick to forecast an imminent recovery at the end of last year; now reckons demand picking up but likely recovery next year will probably be patchy. Sees opportunities for further cuts in interest rates to help an upturn.



Prof David Currie of the **London Business School**

Well-connected economist who in mid 1980s informally advised Mr Roy Hattersley, then Labour shadow chancellor. Has advised the Treasury, Bank of England and International Monetary Fund and is now in fifth year of running LBS's economic forecasting unit. In recent years LBS's forecasting record has been poor, although the inclusion of Currie in the panel and its exposure to comnetitive forces in the forecasting business might sharpen up the unit's performance. On good terms with Sir Terry Burns and Professor Alan Budd of the Treasury.



Andrew Sentance of the CBL the employers' group

At 34, the youngest member of the forecasting panel. Has worked for six years in CBI's economics department, now director; noted for his ruminative style but not the most scintillating public speaker. Did his doctorate at London School of Economics on "government as an employer". Before that was management trainee at National Coal Board, and a manager at a petrol station. Has led CBI research in past two years on putting the case for more government action to help manufacturing. Also an expert on



Andrew Britton of the National Institute

Thoughtful though somewhat dour economist who for past 10 years has headed what is probably Britain's best-known economic forecasting organisation outside the Treasury. Interested in important though not always fashionable areas such as factory training. Worked for Treasury for 16 years but not afraid to criticise if: thinks it should be split into two to separate public spending and economic policy roles. Patchy forecasting record. Among relative optimists about growth next year, which he thinks could be up to 2 per cent.



Prof Tim Congdon of Lombard Street Research

Former journalist on The Times who has shot to prominence in recent years for - monetarist theories and fierce criticism of Treasury's analysis. Started forecasting in mid 1980s with London stockbroker L. Messel, and warned of high inflation in late 1980s as a result of housing boom. Over past three years has turned out trenchant comments about economic scene under the banner of his own independent economic research body. Member of Liverpool Six. monetarists who campaigned for UK to leave the European exchange rate mechanism.

VACHERON CONSTANTIN GENEVA SINCE 1755

BYBMBD Post Ha SMILEDM SBG BUR FINATAKTAKÓG MORBHÓA.

Britain exhibits classic signs of depression

government statistics.

Emma Tucker puts the economy in the psychologist's chair in pursuit of a cure to the illness of recession HE UK is behaving like for the country to break out of to raise finance." Mr Nicholson lose their jobs."

immersed in the gloom of recession.

The small incentives offered by the government in the Autumn Statement are not enough to chivvy it out of its economic sluggishness.

This, at least, is the diagnosis of a number of social psychologists. The media reinforces harsh messages so that even those with safe jobs and safe homes have become ner-

This does not mean that cheerier news bulletins would jolt us out of our economic torpor. After all, the chancellor of the exchequer Norman Lamont's promise of "green shoots" of recovery last year probably made things worse by increasing the level of cynicism among consumers and businesses.

Psychologists addressing the issue of consumer confidence believe it will take a long time

Dr James Thompson, senior lecturer in psychology at London University, believes we are heading for the decade of "making do". The classic "freeze" response to fear has enveloped us as a nation. The insecurity, he says, is compounded by people feeling they

have been conned by various statements about the economy. Caution among consumers is matched by prudence in the financial and business world. Mr Nigel Nicholson, director of the Centre for Organisational Research at London Business School, points out that risktakers retreat into the wood-

preneurs to take risks. Here another vicious circle develops. "Entrepreneurs go to banks which are peopled by non-risk takers. They become even more cautious during a recession, so it is very difficult

work during a recession leav-

ing only the boldest of entre-

recession requires boldness on the part of people who are institutionally cautious. "We can rely on entrepre-

neurs to get us out of recession, but only if they are supported by the people with the funds," he says. "Risk takers will still look for risks to take even in a situation where there are not many."

The success of the risk takers will gradually spread, as they are imitated by more cautions members of society. He is confident that the process will take its natural course. Dr David Good, a social psy-

chologist at King's College Cambridge, is less certain. The situation has become too confused this time round for confidence to take its usual recovery course, he says. "People's worlds have become muddled the rules. They find they can but he believes a switch away means, save more, buy less on be model employees but still from service industries credit and less on impulse

a depressed person, its recessionary frame of mind. argues that coming out of . Dr Good lavours shock treat- tured goods would improve ment. One solution, he suggests, would be the classic Keynesian approach of spending on public works. "If money is spent publicly it gets a wider appreciation and people's expe-

rience of public life - travelling,

walking in the park, going to hospital - becomes less tawdry. They get a very real sense of life being nicer." r Thompson is another proponent, of radical change. "One has to

make quite a substantial change to make people confident again," he says. "T argue, as a psychologist, that the best way of getting confidence back is to show people there is a functional rela-

are doing and what the country needs," he says. so that they no longer know this would not be an easy task,

tionship between what they

towards exportable manufacsentiment. In addition, national objectives would give people a greater sense of purpose - rather as it did during the second world war.

However, fuel, food, housing and transport targets, are unlikely to become part of this government's policy.

Many retailers have concluded that there are noshort-term solutions to the problems of the nation's damaged psyche and that we are in for a sober decade. Kingfisher, the stores group, has produced a report entitled Retail 2000 which looks at the legacy of the 1980s and considers the "older, wiser and more cynical" consumer of the 1990s. Kingfisher concludes that the result will mean an ever more cautious approach to In a fragmented economy spending, and a long period in which people live within their

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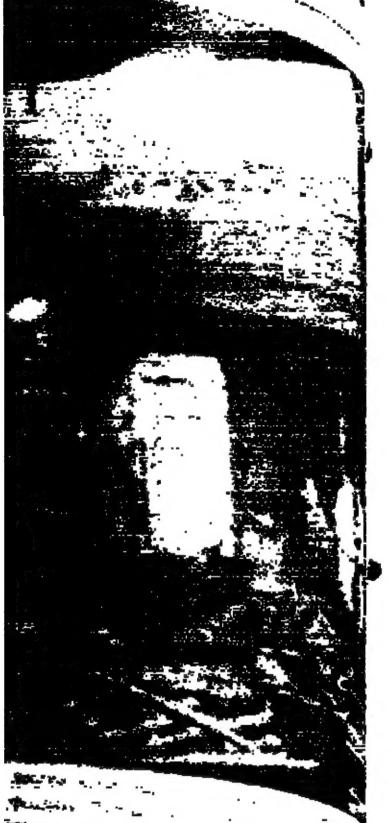
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uture management histo-ries of Britain's National Health Service will devote chapters mulling over whether the use of the term "market" helped or hindered last year's Conservative politicians certainly

took fright at it - even in its tamer. modified variants such as "internal market" and "managed market" as opponents drove home claims that the government was commercialising the service.

The term had the benefit of signalling to the managers of Europe's largest employer, with around 1m staff, that last year's restructuring went beyond previous administrative reorganisations and involved a completely new way of running the

But there remains confusion among many managers about precisely what sort of market they are in and what the norms and limits of market behaviour ought to be when managing a public welfare service. The answers to these questions will determine how the reformed NHS

Duncan Nichol, the NHS chief executive, addresses the issue by introducing another variation to the lexicon of market themes.

"We are operating a social market," he says, "and while there is plenty of information about how free markets operate, we know much less about social markets. People from other public sector systems are already coming to us and trying to learn from our experi-

The NHS reforms have separated the functions of purchasing and providing healthcare and, through the establishment of self-governing trusts, given more decision-making power to local managers.

Many of the questions about the nature of Nichol's social market turn on the extent to which these managers should be allowed to behave in a free-spirited, competitive way.

"Regulating the market, developing purchasers and monitoring providers - these are the issues and it is important to achieve the right balance between them," he says.

Nichol says he "does not want to be crawling all over the thing", stifling development and vitality. "We don't want to over-regulate and lose all sense of competition." But the NHS social market exists to deliver a public service, he adds, and his central management executive must retain enough control to enable it to intervene if any local developments appeared to be against the public

The balance is not an easy one to achieve but the government will try to provide a structural solution soon when Virginia Bottomley, health secretary, makes decisions

The radical restructuring of Britain's health service has

forced managers to balance free market principles with public service ethics. Alan Pike reports

NHS reform is a tricky operation

about the future powers of regional health authorities and how they will fit into arrangements for keeping an eye on trusts. Some of the more pioneering trust managers expect the government to retain more involvement in the market than they would wish.

A survey published last month by Arthur Andersen, management consultants, asked senior NHS mans ers what they saw as their most fundamental future challenges.

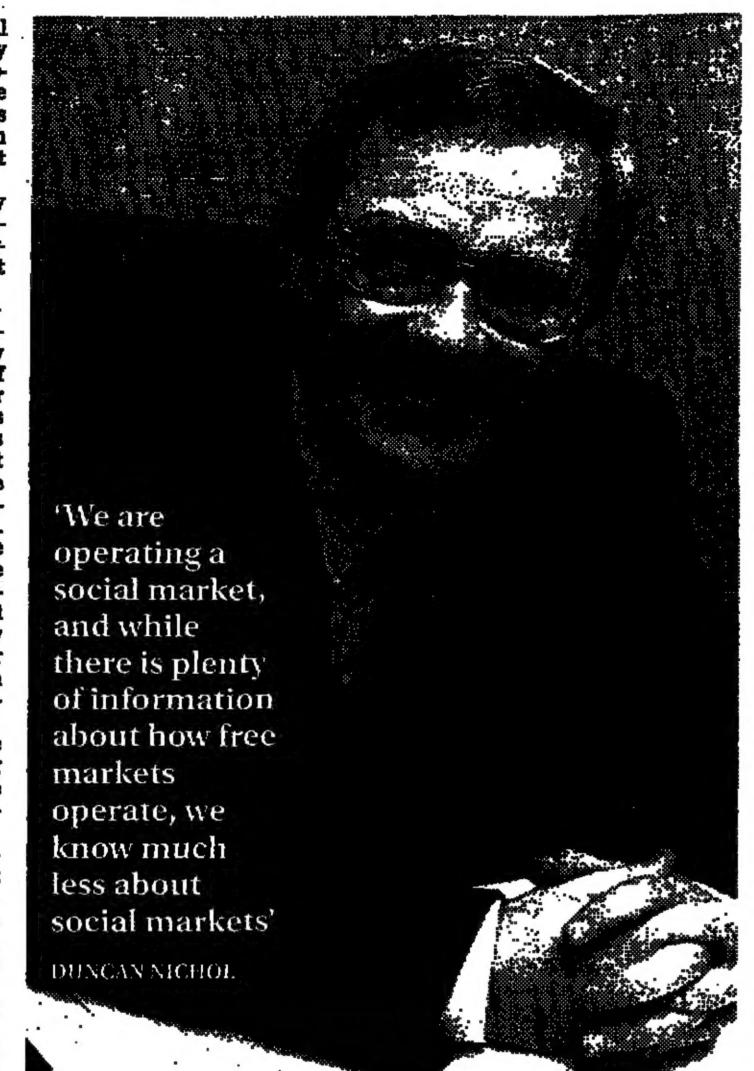
While some of the responses including handling next year's community care reforms successfully and meeting the requirements of the government's Patient's Charter accord with Nichol's priorities for the coming year, the managers also raised "making the market function without undue influence from the centre in the face of questionable political will" as a problem. The market mentality may have

already contributed to at least one undesirable side-effect in NHS management. Last summer, Nichol had to warn his management team away from adopting a "You have an hour to clear your desk" syndrome in their handling of staff changes arising from the reforms. "It is an attitude that some people

might think they are borrowing from the private sector." he told the Institute of Health Services Management conference disapprovingly. Since then, several other local dif-

ficulties in the NHS management have received widespread publicity. John Wilby, chief executive of the London Ambulance Service. resigned following the failure of its new computerised control system. A National Audit Office report has criticised serious shortcomings in financial controls in West Midlands and Wessex regional health authorities - in the former case over a consultancy exercise and in the latter an abortive £43m informa-

tion technology programme. The NAO report added that the transfer of part of Wessex's IT function to private companies, staffed largely by former employees, had



not been in the interests of the region.

Does Nichol feel the perceived pressure of the market is again encouraging managers to believe they have to borrow values from the private sector, taking risks and

gambles and adopting management styles that are inappropriate in a public service?

"I don't think it is a question of managers feeling they need to imitate the private sector. But we have been working to a very crowded

agenda during the introduction of the reforms and NHS managers have to realise they must get the basics right in order to earn the legitimacy to explore the bigger agenda, he says.

"Sound management of public money and attention to administrative detail are important components of getting the basics right. The normal ethics of public sector management remain the entirely appropriate standards for managers in the NHS."

The team of front-line decisionmakers in the NHS management is increasing annually. A further 128 hospitals and other services will become third wave trusts next April, taking the total to 284. Still more trusts will be formed in a fourth wave a year later.

Many of the most competent exponents of the managerial freedoms offered by trust status were among the first and second wave applicants and the sheer size of the NHS makes patchy management quality an inevitable problem.

Nichol says the criteria for deciding whether a hospital's managers were capable of taking on self-government were not lowered for the third wave. If problems arose over the 1994 fourth wave, he would prefer to take an extra year developing management skills rather than launching units into trust status before they were ready.

Next year, the unwelcome terrain of a tight financial regime will be added to the obstacle course in which Nichol's managers are trying to reach the goal of a more efficient service.

For the past three years, health has benefited from more generous annual funding settlements than most other Whitehall departments to help smooth the introduction of the reforms. Next year will be different. The best prospect - if the government's inflation expectations hold good - is for a 1 per cent real terms increase in funding.

This message has been communicated by Nichol to NHS managers, not as a policy for containment but as one for growth. He expects his management team in hospitals and health authorities to deliver a 2.5 per cent increase in treating patients.

This will be possible only if they hit what he describes as the "challenging but achievable" target of augmenting the extra government cash with another 2 per cent in efficiency savings from achievements like treating more patients with the same resources.

For seasoned managers, it will be just like old times. Although the structure is different, the real test of an NHS manager has always been his or her success at keeping the system running when the money is tight.

Finance chiefs called to account

Wendy Moore looks at why women accountants leave hospital jobs

WAY

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The secret of attaining a top financial job within the NHS is the ability to drink, Marilyn Palmer was advised early in her career. "If you can't hold your liquor you will never be a director of finance," counselled one senior manager. Despite eschewing what she

calls the "boys' club" culture represented by such attitudes, Palmer has successfully scaled the health service ladder from her first job 12 years ago as a clerk to her appointment last year as director of finance for the Anglian Harbours NHS trust. responsible for the £25m budget

tals in Great Yarmouth. But it is a lonely position. Figures from

Department of

Health show that although 61 per cent of NHS finance staff are women, they hold just 9 per cent of the top grade finance director posts health

authorities and NHS trusts. The findings of a study commissioned by the health department's women's unit go some way towards explaining

The study, carried out by the Chartered Institute of Public Finance and Accountancy, shows that of 208 women who qualified as chartered accountants in the NHS between 1980 and 1990, 31 per cent have left. Of those, the biggest group - 30 per cent went to local government, 24 per cent left to start families and 21 per cent joined the private sector. Asked why they left, "personal reasons" were given by 20 per cent but salary came second at 17 per cent. One in five cited lack of career development or job satisfaction.

But most alarming is a general perception that women's careers are systematically blocked. More than 70 per cent of those who

leave believe they faced barriers to progression within the NHS and 83 per cent of those who stay agree. Among the obstacles given are direct discrimination, outmoded attitudes, absence of childcare and a culture where long, inflexible hours - 50 to 70 a week - are the norm.

"It is generally thought that if you have a family you are no longer career minded, especially among male senior managers, says one woman. "It is difficult to get taken seriously by male managers." says another.

Caroline Langridge, head of the women's unit, is promoting a

more womanfriendly culture in finance departments. She is also trying to change working patterns that discriminate against female accountants. There is some evidence

of success. All posts are open to job-sharing while flexible conditions, like working from home.

are encouraged. A register has been set up of women in senior positions who want to be put forward for more senior posts. And it is now NHS policy that every job shortlist contains at least one woman candidate.

All this is meant to help boost the number of qualified women accountants and women managers. The latest figures show women slightly outnumber men in studying for accountancy qualifications in the NHS. Women make up 32 per cent of the service's qualified accountants, compared with an estimated 22 per cent a year ago.

Pat Macaulay, head of financial development at the NHS management executive, believes cultural change is the key. But it should come "naturally" as women in senior finance positions become "role models" and she rejects posttive discrimination or quotas.

PEOPLE

New heads at Guinness

Tony Greener, chief executive of Guinness, who also takes over as chairman from Sir Anthony Tennant in January, yesterday announced a series of senior appointments designed to smooth the management transition at the international drinks group.

Philip Yea (right), 37, finance director of Guinness Brewing Worldwide (GBW), becomes group finance director (designate) and will progressively take over the responsibilities of Ian Duncan, managing director, finance and administration, who retires in the second

Thoms speaks

quietly on his

move to Verity

Peter Thoms, newly appointed

finance director at Verity

Group, is suddenly much in

demand. Ostensibly people

want to talk to him about his

new job; really they want the

inside story on his old one -

finance director of Amstrad.

the troubled UK electronics

company which founder Alan

Sugar is trying to take private

in one of the most controver-

sial buy-backs the City has

Thoms left Amstrad sud-

denly in July giving neither

reason nor explanation. He felt

hamstrung, he complained at

the time, but had been asked to

say nothing. Yesterday he was

only a little more expansive.

saying it had been an "interest-

ing period" but refusing to

comment on either his depar-

ture or the present situation at

the former high-flying comput-

training, Thoms, 47, spent 15

years with Gillette both in

Canada and the UK before join-

ing Amstrad in 1989, tempted

Verity, formerly Wharfedale

Loudspeakers, is noted for high

by its entrepreneurial image.

A chartered accountant by

ers-to-video group.

seen for years.

half of next year. Yea joined Guinness in 1984 and held a number of financial

posts before leaving in 1988 to become finance director of Cope Allman. He returned to Guinness as director of financial control last year. Michael Kayser, GBW's business development director, will replace Yea as GBW's finance director. Brendan O'Neill (far right), 44. managing director for the past two years of the international region of United Distillers (UD), the group's spirits

■ David Henning, md of Vodac,

has been appointed a director

■ Peter Jackson, md of British

European finance director and

vice-president Europe of Pitney

appointed finance director of

Peter Mason, chief executive

Sugar, has been appointed to

of VODAFONE GROUP.

ASSOCIATED BRITISH

■ Peter Bertram, formerly

Bowes Finance, has been

AUTOMATED SECURITY

of Balfour Beatty, has been

appointed a director on the

Lucinda Weston Smith has

been appointed a director of

■ Colin Fraser, chief executive

Nick Bunker, a former member

of the Financial Times Lex

team, and John Russell, a vet-

eran insurance industry ana-

main board of BICC.

The BRITISH LAND

CORPORATION Ltd.

of McGregor Cory and

(HOLDINGS).

the main board of



as managing director of GBW. O'Neill joined Guinness from Midland Bank in 1987 as director of financial control. He was UD's finance director from 1988-1991.

Walter Caldwell, UD's company, will switch to the regional director, northern brewing division in February Europe, will succeed him as

chairman of Panocean Storage

& Transport, and Rodney

Lenthall, chief executive of

Towage, have been appointed

■ Barbara Richmond, formerly

to the main OCEAN GROUP

distribution group, has been

director of Allied Colloids Ltd

has been appointed director

ALLIED COLLOIDS GROUP

Jean-Francois Chene, md

of HEPWORTH's European

appointed to the main board.

■ Graham Parrott, company

secretary, joins the board of

GRANADA.

heating division, has been

appointed group financial

controller of WHESSOE.

■ Brian Fisher, logistics

of operations and safety

finance director of GEC

Alsthom's electrical

board.

OIL and chairman of Cory



md of the international region. Brian Baldock, 58, will remain chairman of GBW, but in his role as Guinness deputy chairman is taking on additional responsibilities for the group's public and strategic affairs. Gleneagies hotel, and Guinness Publishing.

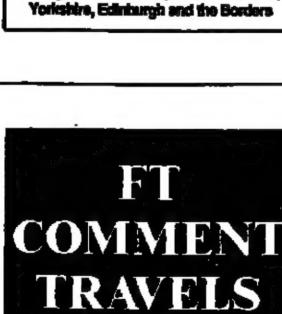
The end of another era at BTP

 once British Tar Products and now a leading maker of lipstick preservatives, beer - will, from January 1, drop 64, he will remain chairman. Steve Hannam, who has for 51/2 years, will become

enormous cigars, says he used the birth of

blessing to the world. He moved to BTP about 25 years ago as a "consultant local director". As the tar business dried up, the old tanks were used to store all sorts of other things, churning out the cash that was invested

When "Pen" Lloyd, the sort of man who hunted with his bones in plaster, died suddenly in 1979, Buckley became chairman and chief executive. But the group has maintained some of the traditions of the Lloyd era; it still holds its annual meeting in early August at the Café Royal in time for the glorious dash to Scotland.



3i Group plc

Guaranteed floating rate

For the three months period 7

December 1992 to 8 March

1993, the rate of interest has

Warburg & Co. Ltd at 7,53906

Interest payable on 8 March

Agent: Morgan Guaranty

\$10,000 note and \$1,879.60 per

been determined by S G

1993 will be \$187.96 per

per cent per annum.

\$100,000 note.

Trust Company

JPMorgan

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Grenfell & Co. Limited to proceed with any transaction nor will any liability of whatsoever

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WORLD

Notice to the Warrantholders of

DAIWA HOUSE INDUSTRY CO., LTD. (the "Company")

Bearer Warrants (the "Warrants") to subscribe for shares (the "Shares") of common stock of the Company issued with

U.S. Dollar 800,000,000 4 per cent. Bonds due 1993,

U.S. Dotlar 800,000,000 2 % per cent. Bonds due 1995 U.S. Dollar 350,000,000 4 1/2 per cent. Bonds due 1996

"Adjustments of Subscription Prices" Notice is hereby given pursuant to Condition 7 of the Warrants that as a result of the issuance of U.S. Dollar 300,000,000 2 % per cent. bonds due 1996 with warrants and Swiss

Franc 300,000,000 2 % per cent. notes of 1992-1996 with warrants on 3rd December, 1992 by the Company with the initial subscription price per Share of Yen 1,415 for each of such warrants as determined on 24th November, 1992 being less than the current market price of Yen 1,671 per Share as at that date, the Company has adjusted the Subscription Prices for each of the Warrants as follows: 1. Warrants issued with 4 per cent. Bonds due 1993 1) Subscription Price before adjustment: Yen 2,193.20 per Share

2) Subscription Price after adjustment: Yen 2,166.60 per Share 3) Effective Date of the adjustment: 4th Decen 2. Warrants issued with 2 % per cent. Bonds due 1995 4th December, 1992 (Japan time) 1) Subscription Price before adjustment: Yen 2,594.00 per Share 2) Subscription Price after adjustment:

3 Effective Date of the adjustment

Yen 2.559.80 per Share 3) Effective Date of the adjustment: 3. Warrants issued with 4 1/2 per cent. Bonds due 1996 1) Subscription Price before adjustment: Yen 2,112.00 per Share 2) Subscription Price after adjustment:

4th December, 1992 (Japan time) Yen 2,084,20 per Share 4th December, 1992 (Japan time)

5-16, Awaza I-chome, Nishi-ku, Osaka, Japan

9th December, 1992

DAIWA HOUSE INDUSTRY, CO., LTD.

quality and high prices. It is also losing money - £2.9m last year. It has just acquired Centralforce Holdings which has the Mission and Cyrus loudspeaker brand names. It is, Thoms believes, a classic turnround situation; the company

ish audio equipment.

Phillips & Drew earlier this Russell, who was responsible for setting up Commercial Union's unit-linked life insurance operation, has been a now has critical mass to return research analyst at Prudento profitability, based on the tial-Bache and most recently acknowledged quality of Brithas been working as a consulting actuary. Since leaving the

Hoare Govett analysts FT Bunker has been corporate development manager at Sun Alliance.

■ Keith Sheridan has been lyst, are joining stockbrokers Hoare Govett. The firm is broappointed md of BAIN CLARKker to three of Britain's biggest SON's North American divicomposite insurance compasion: he moves from Gibbs Hartley Cooper North America. nies and has been keen to fill the gap in its insurance indus-Tim Whorton is appointed director in charge of its Leicestry coverage following the departure of Angela Coad and ter office. Chris Hitchings to UBS

■ Trefor Parry has been appointed finance director of J ROTHSCHILD ASSURANCE. Simon Coombes has been appointed development director of AEGON Financial Services: George Lokuciejewski has been appointed finance director and Steve Dixon a director of AEGON Life Assur-

Frank Buckley, who has been

the catalyst for change at BTP clarifiers and flame retardants the chief executive's role. Now headed the chemicals division managing director. Buckley, a smoker of

to be simply "a good chemist": working in the US for Allied Chemical Corp, he was in at chlorofluorocarbons. CFCs are now on the eco-hitlist, but he recalls how their use in the \$99.99 air-conditioning system and reingerators for the masses in the 1960s was a

in chemicals.

FINANCIAL TIMES WEDNESDAY DECEMBER 9 1992

Japan hedges on carbon tax

By Robert Thomson

Then Japan hosted an international gathering this year on the environment, there was concern among industry that the country would be committed to a tax against carbon dioxide emissions.

instead, the resulting Tokyo Declaration carefully suggested that governments "may wish to consider" a carbon tax and other environmental taxes, but must "keep in mind the impact on international competitiveness". This left the door open for Japan to slap on a tax if it wished.

That door has been shut firmly for the indefinite future by a report from three energy advisory panels to the Ministry of International Trade and Industry, which

USSR

China

Others.

Carbon

dioxide

1989 ...

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W.Germany 4.4%

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The panels'	'
final report sug-	
gests that Japan	
may do more	

harm than good by introducing a carbon tax. "In the event that such an Initiative lacks international conformity, it would national migration of indus-

invite the intertry," the report says. It also reflects concern that the tax would make Japan less competitive, dragging down eco-

nomic growth. Maintaining growth has become a priority for Japanese companies. which have falling profits and are thus trimming staff, salaries and product ranges.

On delivery of the three panels' combined report. Miti said the recommendations would be the foundation for future policy. Rather than highlighting industry opposition to the carbon tax, it preferred that attention be paid to the report's 14 general proposals for a cleaner environment.

These include more use of nonfossil fuels, encouraging environ-

ment-friendly business behaviour, promoting recycling and accelerating the development of technology to protect the environment.

In a "to be considered" category are recommendations that manufacturers refrain from excessive product changes and streamline components. The economic downturn has ensured that this is happening, with companies also using

less packaging. Another consequence of the downturn is a slowing of tax revenue, which prompted the Ministry of Finance to enter the environment debate, having reckoned that a CO-related tax would help balance the books. It has considered doubling the petroleum tax.

But it has chosen not to hurry the carbon tax debate, leaving Miti to exercise its influence. The Environ-Agency which tends to represent the government at international meetings. favours a tax based on a scale reflecting the amount of CO. emitted, but is not pressing for immediate

deployment. Yet an EC proposal to introduce carbon taxes is conditional on the US and Japan adopting similar measures,

prompting Tokyo to wonder whether President-elect Clinton will reverse the US stance against the tax. Yoshitake Masuhara, planning director at the EA, says Japan's efforts over the past two decades to reduce emissions must be considered by foreign govern-

"Japan accounts for about 15 per cent of global GNP, but only for 4.8 per cent of emissions. The US accounts for about a quarter of GNP and a quarter of the emissions." Masuhara said. "We are disappointed that the Japanese government has not clearly supported a carbon tax, but we think the tax alone is not enough."

bitter battle over recycling in the US is pitting environmentalists against many manufacturers, especially in the plastics and food processing industries.

The new tension comes from the growing public demand for efficient recycling. While rising public enthusiasm and more curbside collection has boosted the supply of recycled materials, demand for recycled goods is still weak. Many communities pay heavily for recycling programmes only to watch the materials languish unused.

What worries many US industries is that more and more cities and states are adopting complex legislation which calls for industry, rather than local governments, to carry

much of the recycling burden. The state of Oregon, for instance, has adopted a law forcing companies to adopt one of a series of envi-

ronmentally friendly options: Use packaging which contains a certain percentage of recycled materials - 25 per cent by 1995, 50 per cent by 2000. • Guarantee a similar rate of

recycling for the materials in question - by reprocessing the materials themselves if need be. Severely reduce the total amount

of packaging used. The twin cities of Minneapolis . and St Paul in the state of Minnesota adopted similar, though less restrictive, measures. And a bill even more ambitious than the Oregon legislation was laid aside in Massachusetts only after industry spent \$5.5m (£3.6m) to defeat a plebiscite vote. Other recycling controls are becoming widespread. Eleven states now require newspaper print to contain a minimum of up to 40 per cent recycled content, and another 25 have voluntary programmes.

Nine states enforce "bottle bills". which require beverage companies to ask for a deposit and re-use collected bottles. And 30 have legislation requiring local and state governments to purchase a certain amount of recycled office materials. Perhaps most frightening to opponents of recycling laws, legislation is before Congress which would institute repackaging requirements on a nationwide basis.

"Public pressure is mounting to boost recycling," said Roger Bernstein, director of government affairs for the American Plastics Council. Of all manufacturing segments, perhaps none is more concerned than the plastics industry. Plastic is extremely difficult to recycle, since so many types are used. A mere 2 per cent of the plastic discarded in the US is currently reprocessed.

Moreover, plastic is criticised by many environmentalists for its indestructibility. The rising tide against the plastics industry has it



The amount of recycled newsprint produced in the US rose from 1.9ho tonnes in 1990 to an estimated 2.5hn tonnes this year l'oo much of a good thing

As recycling laws take hold in the US, manufacturers have the most to lose, says Victoria Griffith

so worried that it has just launched a national public relations campaign to promote the environmental soundness of the product.

Despite industry concerns, repackaging laws seem to be the wave of the future, and defenders of the measures say they are extremely effective in cutting down on waste. "Several new paper recycling plants have opened up in Oregon over the last few years, and we've seen some real progress on glass," said Joel Ario, director of the Oregon State Public Interest Research Group which sponsored the repackaging legislation.

James River Company, for instance, has just opened its first office supply paper recycling plant in Oregon. Nationally, increased demand for recycled materials has led to a big increase in recovered paper used in newsprint.

At a time when total newsprint production is declining, the amount of recycled newsprint produced in the US rose from 1.9bn tonnes in 1990 to an estimated 2.5bn tonnes this year, according to the American Paper Institute. That figure is set to surge to 3.2bn in 1994. Still many observers say progress on the recycling front has been driven

more by improved technology than by any increase in demand through environmental legislation.

"We put in a magnetic screening system 12 years ago and just added non-ferrous metal detector," said Ronald Sprague, plant manager for glass recycling with Owens Brockway in Oregon, "I don't think the new laws make any difference. It's the technology that counts. If some one can figure out how to re-use something cheaply, they will. Our recycling rates are between 60 and 80 per cent for glass in this state. well above those required by law up to the year 2000."

Not all segments have such an easy time meeting targets. Critics say that the new repackaging bills can be too expensive, or simply unworkable. "These sorts of laws can cause chaos," said Carol Rawlston, vice president in charge of government affairs for the American Paper Institute. "For instance, some sorts of food packaging such as for milk - can't use recycled material. There are too many contaminants involved, and it would go against packaging standards set by the federal government

Similar problems are cited for bot-

to guard people's health."

tle collection. "Some of the chemicals people used to use to clean the bottles are now considered toxic." said Sprague. "And a lot of small grocery stores have found that they don't have the space to collect used

bottles." Even if more states adopt repackaging laws, environmentalists may face obstacles in getting companies to comply. "Boxes for Wheaties cereal have been made of recycled paper since 1950, just because that was the cheapest material available," said Lawrence Sawyer, director of government relations for General Mills.

"But the actual bag that the cereal is packed in within that box is 100 per cent virgin. It has to be for health reasons. You can pass all the legislation you want, but no one can make us comply if the consumers' safety is at risk."

With both sides arming themselves to the hilt, the battle between environmentalists and industry on the recycling question will probably continue for some time. But with the concept of recycling enjoying high rates of public approval, industries like plastics, bottlers and food processors are concerned that in the long run, they will be the losers.

Plastic in the park

hicago's Park District did not intend to enter the recycling business three years ago when it untook to refurbish 360 of its neighbourhood playgrounds. Some 3.5m pounds of plastic later, the city has become a model for other communities seeking to convert household waste into indestructible timber substitutes, park benches and play equipment. The city stumbled into its Plastic

On Parks programme after one manufacturer suggested that plastic would survive the hazards of Chicago's winters and gang graffiti better than wood. At first the idea did not seem attractive - plastic was nearly twice as expensive as wood. However, the gap would be halved if the City provided the raw plastic for the programme.

Gathering piles of used milk and soft drink bottles, cleaning-fluid containers and plastic shopping bags seemed daunting at first. Chicago had no city-wide recycling programme, but bins were set out at 263 park sports facilities. Residents were encouraged to drop off their empties.

"The first week we collected 400 pounds and thought we had a good programme," recalls Fred White. director of Chicago's parks recycling programme. "Now we're collecting 30,000 to 45,000 pounds per week, and people refuse to let us stop." Parks staff empty the bins and the discards are delivered to a recycler for processing. Private donations provided two new trucks for the programme.

White believes one of the reasons for the programme's success is that people can see the results of their efforts in their neighbourhoods. A unique feature of POP is the city's requirement that plastic given to the processor must return to Chi-

Hammers Plastic Recycling, the Iowa-based processor for the programme, recently opened a Chicago manufacturing facility where it has hired 12 people to help fulfil the city's \$1m (£600,000) contract.

Ken Iles, marketing director of the company, says the POP plastic is now being converted into basketball backstops, picnic tables and special plastic wheelchair ramps for Chicago's beaches, as well as timber substitutes and park

bottom tankers carries oil

gas, and chemicals

Laurie Morse

LOZ

Test

Perio

TEGA This year, 1992, marks the 500th anniversary of the great voyages of discovery. Hung perpendicular to sea level, astrolabes such as this 16th century brass example, were used for calculating a ship's position based on the altitude of the sun or stars. The National Maritime Museum, London

Willem Barents was an expert on astrolabes, but not on double skin ships.



Back at the end of the 16th century when the Dutchman Willem Barents sailed through the

ice to Spitzbergen, the first man to do so, no one had heard of double-hull ships. Today, double skins are becoming compulsory for tankers as part of efforts to minimize the risk of pollution at sea. They have been incorporated into Nesteship's tankers for some 20 years, and Neste's fleet is the first in the world to have all its ships equipped with this feature.

Neste has also been a pioneer in navigation in ice. It is no surprise then that Neste has an exclusive contract to supply Greenland with oil, regularly handles oil shipments to the magnetic North Pole, and was the first shipping company to operate year-round on the Great Lakes of North America.

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products.

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he most extraordinary

hour in the week's tele-

vision now occurs on the

commercial channels at

pub closing time on Fri-

days, especially in London and the

remote Scottish islands. Channel 4

provides The Word, which can be

seen anywhere in Britain, and Lon-

don Weekend offers Dial Midnight

presenters have remarkably limited

outfits: black lace bra under trans-

parent blouse, stockings which end

below the hem of the miniskirt, and

so on. It is like a meeting between

The Bash Street Kids and the girls

of St Trinian's. Rap, pop and fame

The presenters on Dial Midnight,

two anorexic looking girls and the

ebullient James Whale (who con-

verted his Midlands radio show into

a late night Midlands television

show before making this move to

London) sit on what appears to be a

red rubber hedgehog and discuss

the sort of subjects which you find

at the extreme edge of the tabloid

market: penis enhancement

operations, faith healing, and so on.

Last Friday they boasted televi-

sion's first drag-queen tele-dating

session. Danny, dressed in black lin-

gerie and high heeled black patent

boots, took phone calls from view-

ers, asking "How big is your dick?"

and so on, and made a date with

one of them. It all looks astound-

ingly cheap and the sensationalism

may pull in a hefty post-pub, post-

club audience. But is this really the

way that British commercial televi-

sion intends to make the bigger

profits which the new government

Last month this column character-

ised much of television's drama out-

put as Marks and Spencer material

(middle of the market, good value

for money, but desperately safe and

derivitive), so it should now be

acknowledged that we have

recently been treated to two supe-

rior and original drama produc-

rules apparently intend?

are the subjects.

Plastic.

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Television/Christopher Dunkley

Catering for closing time on the commercial channels

which is shown in the metropolis tions, both on BBC1. The 13-part and in the Grampian region of series about a police investigation northern Scotland. The Word is a unit. Between The Lines, fulfilled its youf show, its title presumably early promise, developed three ironic since its young cockney male unusually interesting characters at its centre, and vividly illustrated vocabularies. The young female prethe difficulties of fighting the senters tend, like Madonna, to make unprincipled with principles. It underwear the focal point of their fully merits another series and is getting one. Look At It This Way, a three-part adaptation by Justin Cartwright from his own novel, was a nicely idiosyncratic mix of crime, romance, and satire, using cities in general and London in particular as a sub text, and a visually powerful

Sunday evening series A Touch Of Frost, with David Jason playing yet another police detective, looks like a classic Marks and Sparks production. It is well made though the opening story was not too clever - and will doubtless please many and offend few. But do we really need yet another one?

On Monday Panorama finally presented an honest programme about "Satanic abuse", showing that, whatever those ludicrous ooky-spooky documentaries on Channel 4 may have pretended, there is no evidence whatsoever to prove the existence of this

phenomenon which stems from an obsession among American Christian fundamentalists. Producer Nawinder Minhas and reporter Martin Bashir deserve the thanks of everyone, especially those whose children have been taken away by social services departments and put through the astonishing sort of third degree demonstrated on this programme. Which current affairs series will

have the courage to make similarly honest programme about AIDS to be shown in Britain in peak time on a major network? It will, of course, cause the most almighty row. In the ten years since the first public acknowledgement of the disease, enormous efforts have been made to frighten ordinary heterosexuals into altering their habits, rather than focussing on promiscuous male homosexuals, bisexuals, drug abusers or those from parts of Africa as "high risk" groups. In the age of political correctness it seems that television journalists would rather risk misleading the public than being called homophobes or racists.

Last week being AIDS Awareness Week, this serious lack of balance was much in evidence. We were repeatedly told that in Britain the fastest increase in AIDS cases in the past year was among women, but none of the speakers mentioned the fact that for women the numbers are counted in tens but for men in thousands. In all the years of AIDS programmes, I know of only three which were completely honest and open. The first, made by Fisher Dilke for Horizon in 1986, tried to establish exactly what it was about homosexual behaviour which produced a high incidence of the disease. The BBC suppressed it. The other two, made by Joan Shenton, were bravely non-conformist and questioned some of the widespread assumptions about AIDS and HIV.

But having been shown on Channel 4, they will not have reached a big

Last week's programmes were typified by the sight of comedienne Ruby Wax wagging her finger at us and telling us that heterosexuals must wear condoms. You might think that the duty of a self respecting current affairs department was to try to explain to us the difference between AIDS in Britain and in sub-Saharan Africa. Does the high rate of heterosexual AIDS in Africa result from needle-sharing in under-funded clinics? From transmission linked to other venereal infections? From the widespread use of anal intercourse as a contraceptive measure? Medical journals discuss these factors, but television programmes prefer to suggest uncritically that since AIDS is a hetreosexual disease in Africa, the same must be true in Britain, despite the differences. This is another example of a subject on which the public has been better served by the press. if television continues to suppress facts and to follow its own tunnel vision down the politically correct line while newspapers continue to report a broader spectrum of fact and opinion, television's credibility in current affairs will suffer.

The increasing specialisation in the television awards business is getting out of hand. On Monday of last week Sky One brought us two and a half hours of the BAFTA Advertising Awards, compered by David Frost, then on Saturday ITV gave us two hours of The British Comedy Awards compered by Jonathan Ross. These are both new occasions to be added to the Emmys, Oscars and BAFTA Awards, the BFI Awards (with their leaning towards film), and the RTS Awards (journalism), not to mention the craft awards, awards for rock videos, and so on Soon there will be enough to make it a regular mouthly occasion, and at that point the logical step will surely be an Award of Awards, offering a single prize for the year's best actor, actress, comedy, documentary...and of course best awards evening.



Abstar Muir

Sarah Brightman and Michael Hordern

Trelawny of the Wells

Theatre/Malcolm Rutherford

There is a mass of theatrical history behind Trelaunty of the Wells. Over

the years it has been Arthur Wing Pinero's most popular work, far ahead of what Hilaire Belloc called "that interesting play, The Second Mrs Tanqueray". But not even Pinero (1855-1934) could have expected to see two major productions of Trelawny in London in 1992-93. The first opened at the Comedy on Monday; the second will be at the Royal National Theatre in the new year.

A word of warning may be in was in any case marvellously order. The first half of the Comedy production is leaden to an unexpected degree. Do not form a judgment at the interval, for the second half takes off. This may be because of the veteran Sir Michael Hordern, rumoured to be making perhaps his last West End stage appearance. Hordern plays the part of Sir William Gower who, in the first half, is

a very dour fellow indeed. Vice-Chancellor of the legal profession, he lives with his even more repressed sister in Cavendish Square, sleeps briefly after dinner before devoting his intellectual energies to playing whist (not even bridge). Almost none of the first half jokes and situations succeed. including the introduction of the team of troupers at the Wells. Then comes the transformation. The Vice-Chancellor turns out to

have been a more lively man in his youth: having seen Edmund Kean act, he had an eye for what he calls the "gypsy profession" himself. Toby Robertson's direction is worth seeing for Hordern's second half showing alone. Even when he just grunts, and he does a lot of that, Sir Michael remains a formidable stage presence. He exudes old-fashioned authority: everyone defers to it.

For the rest, some background may help. Pinero was an actor before turning to writing. He switched when realism in the theatre was just coming in and was not immediately popular. One of the characters in Trelawny is called Tom Wrench. He is drawn from the

gotten, T. W. Robertson (1829-71). Robertson came from a huge theatrical family. It was Robertson who before Chekhov, Ibsen, Shaw and Granville-Barker - tried to introduce realism to the stage. He was known for his "cup-and-saucer

While much of Trelawny is farce, the background is the struggle for what the theatre should be about. The Wells is Sadler's Wells where some of the innovations, and some of the resistance, took place. The Trelawny of the title is not a squire, but Rose, the juvenile lead who started in musical comedies until she became more serious and was temporarily sacked. You can see the influence on Shaw: there is a touch of Eliza Doolittle in Rose.

Some of Trelawny comes close to Victorian melodrama, though perhaps this is satirical. The Vice-Chancellor, for instance, could very well turn out to be a villain and his grandson come to a sticky end. Yet what you get, above all, is the fascination with theatre which around the end of the 19th century. went into one of its most productive periods. Pinero was steeped in it.

There are some wonderful ironies. The Vice-Chancellor recalls his theatre-going youth, does a little walk like a hunchback, then reflects on the decadence of the new realism: "When I saw Kean as Richard. he reminded me of no member of my family. Shakespeare knew better than that."

Rose is played by Sarah Brightman. She is far too professional ever to put a leg wrong, but is a surprisingly mature actress to be cast as a 19-year-old juvenile lead. A touch of the ingénue might liven things up in the style of Sara Crowe. Some of the smaller parts are excellent, especially Kelly Hunter as the splendidly named Avonia Bunn. It cannot be beyond Toby Robertson to quicken the pace of the first hour or so.



The Brash Street Kids meet the girls of St Trinians: presenters of Channel 4's 'The Word'

Concert and semi-staged opera performances at the Barbican and Queen Elizabeth Hall

An epic evening with Nielsen's 'Saul and David'

Nielsen's first opera Saul og David has stayed outside the repertory in Britain. It has been staged here just once - in a semi-professional production in 1977 - though a new Danish recording was released last year. As part of "Tender is the North" at the Barbican on Monday the BBC Symphony Orchestra and Chorus undertook a concert performance: a vivid, impassioned account conducted by Andrew Davis, sung in Danish with a mix of British and Danish soloists.

The dramatic tenacity of the score in the concert hall squashed all suspicions that this Biblical epic is really oratorio passed off as opera. The choruses may be striking inspirations and integral to the dramatic structure, but the work hinges genuinely upon its juxtaposition of the central characters - Saul and David, Saul's children Jonathan and Mikal and the prophet Samuel and the ways in which their psychologies are probed and analysed. That Nielsen works much of this out in terms of inherited operatic stereotypes rather than through freshly minted invention never threatens the work's integrity, just fails to clinch its originality; what is memorable is the sustained effect of Saul and David, rather than any of its specific details.

By the time he came to write the opera at the turn of the century Nielsen had learnt his craft well. Musorgsky's Boris Godunov is com-

monly cited as Saul and David's precursor, that source is especially evident in Saul's monologues and the set-piece choruses, and Nielsen was after all a nationalist composer of his own devising, one derived at several removes from Musorgsky's example. But there is a good deal of Wagner in the writing too (hints of Götterdämmerung in Samuel's grave pronouncements) and even of the 19th-century Italian tradition in the lyric duet for David and Mikal that ends the first act. If the opera never quite takes off or becomes more than the sum of these identifiable parts it is plotted with great economy and directness, carved out in massive tonal arches. As Andrew Davis recognised, the music always knows where it wants to go and generates the momentum it needs

to get there. ideally the vocal writing requires more weight than mustered in the Barbican cast, singers with Wagnerian powers of declamation - one of the early interpreters of the role of Mikal was Kirsten Flagstad, while the recent recording cast Aage Haugiand as Saul. But here with Ulrik Cold as a flexible Saul. Kurt Westi a persuasive David and Christian Christiansen a sepulchral Samuel the performances were consistently involved: Eva Johansson joined well with Westi in Mikal's duets, and John Mark Ainsley

added a finely drawn Jonathan to

his own increasing operatic gallery.

On Sunday Colin Davis and the London Symphony Orchestra had added a further instalment to their cycle of the Sibelius symphonies, which is proving to be the glorious centrepiece of this Scandinavian celebration. Davis's powers as a Sibelius interpreter have grown steadily over two decades; but until this concert he had never tackled Kullervo, the symphony for voices and orchestra based upon an enisode from the Finnish Kalevala which preceded the numbered symnhonies and furnished so much of Sibelius's later music.

In Finland Kullervo has tremendous nationalist significance and in Britain performances have been increasingly frequent over recent vears. Davis's account though surpassed any I had heard in its purposeful power and its refusal to be ambushed by any of the work's lonqueurs. Even the long central movement "Kullervo and his Sister" remained on course and culminated in wonderful declamatory solos from the baritone Jorma Hynninen and the soprano Soile Isokoski. The choir was the Helsinki University Chorus, which has made Kullervo its own speciality; the LSO, enjoying a vintage period at the moment. never failed in its attention to

Andrew Clements

Barbican Hall and BBC Radio 3

Purcell's 'Dido and Aneas'

An instrumental prelude led into the Prologue. This turned out to be a pageant of the sea, an allegory in the French style, featuring Phoebus attired in gold with a richly plumed beaddress, Venus, nymphs and shepherds, the men in this stylishly costumed production all looking the spitting image of Charles II.

For those who had not read the small print, the identity of the opera would be a mystery. Surviving copies of the text for Purcell's Dido and Aeneas show that at some point it acquired a prologue, but the music is lost and the opera has become known without it. In this staged performance at the Queen Elizabeth Hall on Monday the English Bach Festival tried a re-construction: other short pieces by Purcell were interspersed throughout the verses, which were spoken,

As a one-off exercise, it had its value. Assuming Purcell ever did write the music to go with this opening, the drama would have taken on a wider significance in the person of the goddess of love, representing all the Didos of the human race. No doubt the score would also have brought a deeper resonance to her utterances – but without the music, we just do not know.

It was telling how the performance jolted into life, as soon as we moved into the opera proper. An important feature of Dido and Aeneas is that Purcell wrote it to be sung all the way through, but that effect is lost if the Prologue can only be performed like a masque, as spoken drama with music. The inherent power of the opera itself

shown by this EBF production, a noble realisation for all its evident need to watch the pennies. No Restoration extravagances

here. Tom Hawkes provided just

simple stage effects and a producer's acumen in how to bring out the devastating emotional force in Purcell's drama. In this hall an orchestra of seven (strings, lute and harpsichord) proved sufficient; but a chorus of four was more of a sacrifice, as they could hardly be expected to echo themselves from afar. Kathleen Tynan was an excellent Belinda and Nigel Leeson-Williams sang a burly warrior of an Aeneas. Still all this might not have suc-

ceeded, if the performance had not found so striking a focal point in its central performer. A specious argument was proffered in the programme as to why Della Jones had been asked to take on the roles both of Dido and the Sorceress, but her magnificent accomplishment of the task was reason enough. As the Sorceress, she pushed her voice; but as Dido, she triumphed in regal style. In an uncanny way her perfor-

mance spanned the centuries: sometimes the clean singing of intricately decorated vocal lines suggested period practice, at others she left all that behind and let fly with the full-range of modern-day expression. More important, the whole tragic spirit of Purcell's Dido seemed to be alive in her hands. It was there that this Dido and Aeneas found its true raison d'être.

Richard Fairman real-life playwright, now largely for-

Comedy Theatre for an eight week season, (071) 867 1045



■ BARCELONA

Marton, Dec 19: Paata

Hoffman.

 Uwe Mund conducts Götz Friedrich's production of Lohengrin, opening at Gran Teatre del Liceu on Mon (further performances on Dec 17, 20, 23, 27, 30, Jan 2, 5). The cast includes Thomas Sunnegardh, Hans Sotin and Eva

Burchuladze sings Russian and Italian arias (412 3532) Garcia Navarro conducts Barcelona City Orchestra in works by Brahms, Prokofiev and Rakhmaninov at Palau de la Musica on Sat at 19.00 and Sun

at 11.00, with cello soloist Gary

Sat at 22.00: Laszio Heltay conducts Handel's Messiah, Next Tues: Zagreb Soloists play concertos by Correlli and CPE Bach. Next Wed: Alexis Weissenberg piano recital (268

1000) Anne Teresa de Keersmaeker's experimental dance group Rosas presents Achterland on Sat and Sun at

Mercat de les Flors, carrer Lleida 59. Alan Ayckbourn's play Absurd Person Singular can be seen at Teixidors Teatreneu, Teroi

26, till Jan 24. Information and booking for cultural events available through Caixa de Catalunya from 08.00 to 14.00 (310 1212)

■ COLOGNE OPERA

Opernhaus Tonight and Sat Entfuhrung, Tomorrow: Hansel and Gretel, Fri: Der fliegende Hollander with Monte Pederson and Mechthild Gessendorf, Next Thurs: Olaf Baer song recital. Dec 20: Thomas Fulton conducts first night of Willy Decker's new production of Billy Budd, with Philip Langridge as Vere (221 CONCERTS

Philharmonie Fri: Yakov Kreizberg conducts Cologne Radio Symphony Orchestra in works by Mozart and Tchaikovsky, with plano soloist Valery Afanassiev. Sun afternoon: Handel's Messiah. Sun evening: Andras Schiff plays

Schubert, Mon: Cologne Chamber Orchestra plays Bach, Tues: Ton Koopman directs Amsterdam Baroque Orchestra. Next Wed: Maurice André (2801) THEATRE Schauspielhaus A new production of Friedrich Hebbei's Maria

Magdalena, directed by Torsten

Michael Bogdanov's production

of John Ford's 'Tis Pity She's

Fischer, opens on Fri.

A Whore (221 8400)

The repertory also includes

■ COPENHAGEN

Flemming Flindt's production of Nutcracker can be seen tonight and tomorrow at the Royal Theatre, and continues in repertory throughout the month. Fri: Nilsen's comic opera Maskarade, Sat and Tues: Don Carlo, Mon: Carmen (3314 1002)

■ FRANKFURT CONCERTS

Alte Oper Horst Stein conducts concert performances of Hansel and Gretel tonight, tomorrow and Fri. with a cast including Brigitte Fassbaender. Tomorrow (in Mozartsaal): Edith Wlens song recital. Sat Maurice Andre trumpet recital. Sun: Michael Gielen conducts Mahler's Seventh Symphony. Mon: Frans Bruggen conducts Deutsche Kammerphilharmonie in works by Haydn, Beethoven and Mendelssohn, with plano soloist Olli Mustonen.

Next Tues: Handel's Messiah.

Dec 18-Jan 10: 42nd Street (1340 Jahrhunderthalle Hoechst Sat: Manfred Honeck conducts Bamberg Symphony Orchestra in works by Dvorak, Martinu and Rayel, with cello soloist Gustav Ravinius. Next Tues, Wed, Thurs: Russian State Ballet (3601 240) OPERA/DANCE

A new William Forsythe ballet will be premiered at the Schauspielhaus on Dec 19, followed by the first night of Ruth Berghaus' production of Der Rosenkavalier in the Opernhaus on Dec 23. The only

performances over the coming week are Die Fledermaus on Sat and next Fri, and La traviata on Sun (236061)

■ GOTHENBURG

Konserthuset Sat at 15.00: Neeme Järvi conducts Gothenburg Symphony Orchestra in Shnitke's In memoriam and Tchaikovsky's Fourth Symphony. Dec 17, 18: La Damnation de Faust (167000)

■ HAMBURG

Staatsoper Tonight: Don Carlo with Anna Tomowa-Sintow and Roberto Scandiuzzi, Tomorrow: Hansel and Gretel. Fri and Sat: Die Zauberflöte, Sun: Bob Wilson's production of Parsifal. Next Tues: Der fliegende Hollander with Elizabeth Connell and Simon Estes (351721)

LEIPZIG OPERA

Opernhaus Tonight Sophia Larson sings the title role in Elektra. Tomorrow: La boheme. Fri: Le nozze di Figaro. Sat: ballet by Uwe Scholz. Sun: Werther with David Rendail in the title role, Mon: Edda Moser song recital. Dec 18: first night of new Lohengrin production (7168 273) CONCERTS

Gewandhaus Tonight Peter Schreier, accompanied by Karl Engel, sings Winterreise. Tomorrow and Fri: Alexander Rahbari conducts Gewandhaus Orchestra in works by Laporte. Strauss and Rimsky-Korsakov. Sat: Shlomo Mintz violin recital.

Sun: concert of opera arias with Rodney Giffry and other soloists. Next Thurs and Fri: Kurt Masur conducts Beethoven's Sixth Symphony (7132 280)

LYON

 Tomorrow and Fri at Auditorium Maurice Ravel. **Emmanuel Krivine conducts** Orchestre National de Lyon in works by Richard Strauss and Musorgsky, with Charlotte Margiono soloist in the Four Last Songs.

Sun morning at Hotel de Ville:

Brandenburg Concertos (7860 3713) Barbara Hendricks, Gabriel Bacquier and Gino Quilico star

Emmanuel Krivine conducts Bach

in an Opera de Lyon production of L'elisir d'amore on Fri at Théatre du Huitlème, & ave Jean Mermoz. Dec 26 at Auditorium Maurice

Ravel: Kent Nagano conducts first of seven performances of Prokofiev's bailet Romeo and Juliet, choreography by Angelin Preljocaj (7828 0960)

■ NEW YORK

THEATRE Oleanna: David Mamet, in fine curmudgeonly form, takes on political correctness, sexual harassment and other isms in this brief, powerful drama (Orpheum, 126 Second Ave, 307

The Sisters Rosensweig: Wendy Wasserstein's new play about the reunion in London of three American Jewish sisters

(Mitzi E Newhouse, Lincoln

Center, 239 6200) Coversations with my Father: Herb Gardner's bittersweet memory play about a Lower East

Side barkeeper, his two sons

and the patrons of his tavern

(Royale, 242 West 45th St. 239

 Guys and Dolls; a lively production of Frank Loesser's musical directed by Jerry Zaks (Martin Beck, 302 West 45th St,

239 6200) Jelly's Last Jam: the music of Jelly Roll Morton. self-proclaimed inventor of jazz, plus an unsparing portrait of the man himself. In the starring role, Gregory Hines combines his astonishing talent as tap dancer

52nd St, 239 6200) Five Guys Named Moe: the guys are black dancers and singers of ability and spirit, who perform the songs of the late Louis Jordan (Eugene O'Nelll, 230 West 49th St. 239 6200)

and actor (Virginia, 245 West

■ STRASBOURG

Théatre Municipal 20.00 First night of new Opera du Rhin production of Die Fiedermaüs. conducted by Theodor Guschibauer and staged by Pierre Strosser. Further performances tomorrow, Sat. Sun, Dec 19, 20, 22, 23 (8875)

Dec 16, 17 in Palais de la Musique: Guschlbauer conducts Strasbourg Philharmonic Orchestra in works by Schubert. Dvorak and Bruckner (8837 6777)

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Sky News 2030-2100, 2230-2300 FT Business SATURDAY

0900-0930, 1900-1930 World Business This Week - a joint FT/CNN production

Super Channel 0830-0900 FY Business Weakly

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0130-0200, 0530-0600 FT Media 1330-1400, 2030-2100 FT Business

Wednesday December 9 1992

The threat to India

INDIA HAS experienced a nasty shock, but it can recover. The destruction of the mosque at Ayodhya by Hindu militants on Sunday night has outraged Moslems everywhere. The erection of a makeshift Hindu temple in its place has compounded the damage. The fierce religious passions right-wing Bharatiya Janata party (BJP) threaten the stability of the sub-continent. The focus has naturally been on the past two days of rioting; by last night the death toll

had reached 400.

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.Yet India has survived events of similar dramatic impact, including the assassinations of Mahatma Gandhi by Hindu activists, Nehru's daughter Mrs Indira Gandhi by Sikhs, and her son Raily by Tamils. Mosiems have long been in conflict with the Indian state in Kashmir, as have Sikh terrorists in Punjab. The republic has been subjected to religious and sectarian disputes since the great partition of 1947. The birth of modern India and Pakistan was marked by bloody internal conflicts; there have since been two wars between them. A state that can survive all that during its first half-century of independent existence will not easily be driven to self-destruc-

The urgent task for the Indian government now is to re-establish order. This would best be achieved by the continuance in office of the prime minister. Mr P.V. Narasimha Rao. Mr Rao's policy of appeasing the BJP, particularly during the early months of his initially shaky government, was one of the errors that led to the disaster at Ayodhya. But a change of government would not necessarily lead to greater stability. In July Mr Rao tried to deflect the BJP's campaign against the mosque by referring it to the Supreme Court. Now he has the chance to act with

He has begun to do so. The site ple has been cleared of 50,000 militants, with no casualties. There is a delicate tactical problem to settle here. Delhi is pledged to restore the mosque, but if it dismantles the makeshift temple. now widely regarded as a holy place, it may alienate moderate Hindus. The ideal solution, the building of a shrine to each religion, side by side, and the dedication of the site to national reconciliation, may be unreachable.

Leaders of the BJP and allied organisations have been arrested and charged with inciting violence. This is a calculated risk by Mr Rao's administration. It might further inflame militant Hindus. but, against that, virtually the entire Indian press has come out against the destruction of the Ayodhya mosque. Moderate Hindus are appalled; the flirtation of some of them with the BJP, an upper-caste led party, may be

over. Thus strengthened, Mr Rao stands a chance of reasserting the government's authority and concentrating on his programme for economic liberalisation. Success in that endeavour is a prerequisite if modern India is to survive. Mr Rao has shown courage on the economic front; he must now act to restore India's tradition of religious tolerance.

Air waves

EUROPE IS flying through fog in its search for a system of airline regulation which yields greater competitive pressures and a better

deal for consumers. The latest leg of this troubled journey ended in the small hours of yesterday morning, when EC transport ministers agreed a new regulation governing the allocation of airport take-off and landing slots. It says that in future airlines which do not use their slots will lose them and that when slots do become available, preference will be given to airlines which lack a significant presence at the airport system in question. It also gives governments the power to take the task of co-ordinating slot allocation away from the big airlines. although it may be doubted

whether many of them will use it. This is presented by Mr John Macgregor, the UK Transport Secretary, as a breakthrough: "a regulation which protects the legitimate rights of established carriers. while allowing new carriers onto routes and stimulating competi-

Some newer carriers do not agree. They think that once again EC transport ministers have done what their big flag carriers want. namely to keep the competition at bay. According to these smaller airlines, "use it or lose it" is a rule the big carriers will be happy to live by. It is, after all, not difficult for a big airline to maintain an adequate presence even on a lossmaking route if it knows that the alternative is withdrawal leading to a price war and the emergence of serious competition.

The smaller carriers also ask does the regulation mean that airlines which do use their slots thereby in effect acquire the right to go on using them in perpetuity. which would amount to a property right? And they wonder to what extent national regulatory bodies. such as Britain's Civil Aviation Authority, will be further hin dered in their ability to coerce bigger carriers into releasing slots to smaller carriers by the appearance of an apparently more liberal new regime. These are good questions, to which ministers should provide answers before formally approving the regulation agreed in outline

vesterday. All of this is perplexing for European air passengers, who are confronted daily with overpriced services. Those who think that even under the new rules, the airport slot allocation system will still be dominated by the big airlines for their own benefit will continue the quest for a more liberal alternative based upon some

kind of rolling franchise system. Probably the best that can be said for yesterday's agreement is that it gives the European Commission power to intervene in the airlines' slot allocation committees, if the policy of easing the way for smaller airlines appears not to be working. The regulation also contains a clear review clause. These are powers the commission will need to use with skill and determination.

Ukraine's chance

WHILE politics appears to be halting Russia's move toward a market economy, in Ukraine the transition has finally begun. If the words of Mr Leonid Kuchma, Ukraine's new and reform-minded prime minister, can be translated into actions then even cynical western observers have reason for modest optimism.

The economic challenge facing the former Soviet Union's second largest republic is immense. Mr Kuchma's task is first to repair the damage of years of stagnation and mismanagement which, until recently, President Leonid Kravchuk has appeared willing to tolerate. Increasingly irresponsible government has left Ukraine with a budget deficit greater than a third of the economy, an inflation rate of more than 30 per cent a month and a quasi-currency, the coupon, which commands little respect from those forced to use it.

Yet a market-oriented Ukrainian government could find an escape from looming hyperinflation. Mr Kuchma, a reform-minded former rocket factory director, is potentially able to command support from a wide coalition of interests. He has been granted wide-ranging executive powers by parliament. He also has much greater control over local officials than do his counterparts in Moscow.

Moreover the past year's inaction allows Ukraine, and its western advisers, to learn from Russia's mistakes. Whether Mr Kuchma can succeed where Mr Gaidar has so far failed depends

on whether they draw the correct conclusions. Ukraine must move faster not slower - those stren voices calling for a gradualist approach must be ignored. But it must move across a wider reform agenda than the Russian government has tackled so far.

Ukraine's first priority is to curb inflation, it must stop net credit creation by the central bank and cut deep into the government subsidies which are responsible for the huge budget deficit. But an IMF-style stabilisation programme has no chance of success unless accompanied by measures to encourage private compomic activ-

The government should end monopolistic state orders; auction state owned trucks to permit goods to be brought to cities: announce a tax holiday and automatic registration for new small businesses: and organise smallscale privatisation auctions. Only then might stabilisation be sustainable.

Ukraine cannot succeed without western aid to finance imports and belp fund the budget deficit, preferably in return for decommissioning its nuclear weapons and dangerous nuclear power plants. The aid needs to be conditional on structural reform as well as macroeconomic targets; and should follow tangible steps towards stabllisation and liberalisation.

At least the talk in Kiev is now encouraging. But only action can prove the sincerity of the government's words.

mong the ornate objects lining the presidential chamber in the Elysée, a sculpture of Time's Winged Chariot would not now be completely out of place. For at 76, and not in the best of health, François Mitterrand knows he does not have much time if he is to save what he regards as his final and crowning European achievement - the Maastricht treaty on European union.

The next few days will be crucial. When he takes his place as the senior statesman at the Edinburgh summit on Friday, the French president will be fighting for Maastricht's survival in the face of monetary disorder, political disarray and doubts as to whether two countries - Denmark and Britain - will ever

ratify the European pact. If there are any doubts that salvaging the treaty is at the heart of this weekend's deliberations. Mr Mitterrand is determined to lay them to rest. Looking pale but resolute, he says Maastricht remains the only route-map to European integration, and he will brook no alternative. It can be neither renegotiated for the 12 nor watered down for individual members, he insists. By the end of this year, 10 EC states will have ratified it, and if Denmark and/or Britain fail to do so, the others will proceed regard-

"We cannot make an agreement minus a single currency, minus the central bank, minus a common foreign policy ... rejection [of Maastricht by the countries in question [Denmark and Britain] would not stop the construction of Europe." he insists. Maastricht, he claims, could be legally adapted to a smaller number of countries.

Mr Mitterrand's summit partners will find him at Edinburgh returning to the tough line he took in the immediate after-shock of the Danish referendum which rejected the treaty last June. In effect, he is staking all on European union looking to the European stage for success that, with his Socialist party almost certain to be defeated in next March's parliamentary elections, he can no longer hope for at

A passion for European integration is the one consistent theme in the president's long and tortuous political career, stretching back to his experience as a German prisoper in the second world war. The likely advent of a centre-right government in France next spring he will be less involved in domestic affairs. But he will still be able to determine the overall thrust of policy by helping lock France, and others, into Maastricht. He has recently proposed a series of constitutional reforms: but they are mainly designed to strengthen the parliament at the expense of the government, and nothing in them would diminish his presidential pre-

rogative in foreign policy. Is Mr Mitterrand bluffing in warning that the rest of Europe could leave Britain and Denmark? Certainly, he is a gambler who has shown himself to play for high political stakes against uncertain odds. He refuses to admit any tactical error in putting Maastricht to a referendum in his own country.

He brushes aside observations that the very strong showing of Maastricht s opponents in the French referendum campaign helped destabilise the European Monetary System It was, he says, "a very fine campaign" because Maastricht jolted Frenchmen and women out of their indifference to referencia of recent years, providing a turnout of more than 70 per cent.

Gambler eyes his crowning glory

François Mitterrand is determined that Maastricht will be ratified, write David **Buchan and Andrew Gowers**

Just how much of a chance he consciously took, he is only now prepared to spell out. "Ask my staff and they will tell you that I never expected more than 52 per cent [approval]". His EC counterparts would have trembled had they known how fine his calculation

In the end, it was a 51.4 per cent approval for Maastricht. And the margin of victory was bigger than that by which John Kennedy beat Richard Nixon, says the president, as though 1960 was yesterday. More to the immediate point, he notes that it was a bigger margin than that by which Maastricht failed in the Danish referendum. Yet, Mr Mitterrand, whose own rating has touched all-time lows for Fifth Republic presidents, knows better than anyone the fickleness of public opinion. That seems to be why he appears so anxious to avoid the impact on a still-undecided Britain of a second, and possibly again negative, referendum in Denmark.

There is a clear distinction in the way the president talks about Denmark and Britain. He is readier to discuss a European Union without Denmark. "There would be no reason to displace it [Denmark] though once Maastricht enters into force, there will be a disparate situation which will require some changes." But, beyond general warnings that laggards get left behind in European integration, he is deeply reluctant to enter into the specifics of Maastricht-without-Britain, "I do not despair at all that Britain will adhere to the treaty which the head of its government

has signed." He refuses to join in the widespread criticism of the UK presidency. Indeed, he says Mr Dominique Strauss-Kahn, his trade minister, "went too far" in describing Britain's handling of EC business as calamitous. But the president is implacable on one point: John Major would be making a serious mistake if he delayed completing UK ratification until after a second Danish referendum. This is precisely what Mr Major promised potential back-bench rebels in order to win his Maastricht vote in the House of Commons last month. "British policy should not be put in tow to Danish policy," Mr Mitterrand says, adding with ill-concealed disdain: "I don't see how Great Britain can allow its decision to be

made in another country." There are many who now argue that the Community's present disarray stems not from bad faith of individual governments, but from inherent flaws in the Maastricht tresty. Mr Mitterrand will have none of this. "Europe has not broken down", he flatly asserts. The treaty flowed logically, he argues, from the Single European Act, negotiated in 1985, which set in place the single market. "Maastricht is



Christophe Delliere President François Mitterrand: 'Europe has not broken down'

designed precisely to ensure that would have worked". this free market is not simply anarchy." For example, he sees Maastricht as an overdue treaty of protection in that it provides for police co-operation in a frontier-free Europe. Without such provisions, he said, you would have a Europe "open to all winds".

But surely the treaty's core provisions on economic and monetary union (Emu) now seem too ambitious and too rushed? Nonsense, the French president says, "We needed a fairly rigorous convention (on Emul, and I repeat that 10 out of 12 countries have imposed this discipline on themselves... the more it would have been delayed, the less it

Mr Mitterrand has had sharp reminders in recent weeks of how true this is, as market doubts about the feasibility of Emu have even shaken, though not broken, the parity link between the franc and the D-Mark within the exchange rate mechanism of the European Monetary System. But the president grandly dismisses the views of the money-changers. "Speculation [against the franc] does not exploit

doubts, it creates doubts." The president affirms, with some justice, that "the French economy is the best in Europe at the moment". and says that "devaluation is never considered a good policy". He is

open to, though not yet convinced of, the idea of narrowing further the limits within which the franc can fluctuate against the D-Mark. It is "for discussion", he says.

In this area, too, all other considerations are subordinate to Maastricht's economic disciplines. France's persistently high unemployment rate - itself partly a sideeffect of the franc fort policy - is "quite dramatic", the president concedes. But it is a "social problem", he says, and, by implication, a prob-lem of second order. He points out that joblessness has risen faster in Germany and Britain over the past year than in France.

If there are particular doubts about France's strong exchange rate policy and commitment to continuing disinflation, it is because its Socialist government faces the voters in March. But Mr Mitterrand insists that this fact, too, will not stampede it into changing course. "This government will maintain exactly the same economic attitude which it has had since the start. No one is better placed than the French president to persuade Bonn of Europe's need for lower German interests.

Mr Mitterrand says he raises the issue constantly in his talks with Chancellor Kohl. "But I respect their policy because I know they have pressing [budgetary] obligations which are very heavy."

Mitterrand's sense of urgency concerning of the need for Europe to nowhere more evident than in his new-found openness to new EC members. France used to be very insistent on the Community getting its house in order before admitting new members. Earlier this year, it was still demanding that formal enlargement negotiations with the countries of the European Free Trade Association (Efta) could not begin until Maastricht was universally ratified and future EC financing decided. Mr Mitterrand now blurs these pre-conditions, and has no difficulty in joining Germany and Britain in calling for accelerated talks with Austria, Sweden, Finland and Norway. - but not now Switzerland – to be wrapped by the end of 1993.

. The desire of the first three of these countries to marry EC membership with their long-standing neutrality will be the main negotiating issue. "That [neutrality] is a problem for them, not or us," says Mr Mitterrand. Neutral countries should not be allowed to thwart the Community's efforts to project a more forceful role in the world though the president concedes that existing EC states have done just that in the case of Yugoslavia.

As with Efta, so with the lengthening queue of would-be EC members in eastern Europe. Once a proconeut of deepening as opposed to widening the Community. Mr Mitterrand has now come around to a very broad view of Europe potentially encompassing any democratic state on the continent with a sufficiently strong economy. The Balkans and the Baltic states? Russia and the Ukraine? "Why not?". Here, his vision of a future Europe stretches even further than that of Mr Kohl

How could such a diverse membership be accommodated in a Community based on the Maastricht treaty? That is a long term question that Mr Mitterrand is happy to leave to his successors. For the moment, the job in hand is ratifying Maastricht, and Mr Mitterrand insists he is fit for the task

PERSONAL VIEW

The ultimate opt-out

By Martin Feldstein

terstrope the parliathe stary vote on the Sharstricht treaty horses this week foundarch summit occahow other Et membeing totomard the proposed agree-

in and of the rount would be the heliphoreton to Denmark's decisome not to eath, the Maastricht Although the Treaty of Rome which is and the European or placitly provides that all to a persons must be itilog listenather er 🧸 iremensis - or that Fernmark does that have the night to block the many from on proposed at Mass. trains. There et a should therefore becreed to be to the Ethal Radoes put or not Marchaeld, they say If Pritary is independ to name the

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A small starting would simplify LE business mainings within the Fit that start raids are small income meet with the higher average gregoral agreeases mean in Britain the langest training the loss of a automat monetary policy and of a property that responds to market forces to major in competitiveness, Again congressy to the claim of the Physics of Commission, there is not they employed our logic to suggest

pleasent or minuon.

that a single currency is needed to benefit from the trade gains of a single European market.

Despite talk of an independent European central bank committed to price stability. Maastricht gives the Council of Ministers the power to tell the proposed central bank how to manage the external value of the common European currency and thus the power to set a more-orless inflationary monetary policy for Europe as a whole. Is that what President Mitterrand meant when he told the French public that European monetary policy would be determined by politicians and not by central bankers?

The political consequences of the Maastricht treaty would be even more important than its economic effects. Maastricht anticipates that ail decisions about foreign policy and military actions would eventually be made at the Community level. The Edinburgh summit might clarify what would happen if Britain did not want to participate in some future military action. Could Brussels nevertheless conscript British subjects to fight in a

Brussels has come under strong criticism for excessive involvement in the domestic matters of member states Subsequent assertions by the Commission that Brussels would in the future be more accountable to the elected members of the European Parliament did little to reassure those people who were concorned about losing national self-determination.

The principle of subsidiarity assigning decisions to the lowest appropriate level of government has therefore been emphasised in an attempt to reassure people that they and their national governments will not lose control over important issues. There is, however, so little practical content to the idea

of subsidiarity that it cannot provide comfort to anyone who worries about a European federal government's assumption of authority for rules affecting local lifestyles and

national fiscal policies. As an American, I am accustomed to the drift of authority from state governments to Washington, Despite the US Constitution's unambiguous 10th Amendment (which reserves to the individual states all powers not specifically vested by the Constitution Itself in the central government), Washington now determines things such as the maximum speed limit on state roads and the minimum age at

which people can purchase beer.
The issue of subsidiarity involves domestic fiscal policy as well as personal lifestyle issues. The original Delors plan for the Maastricht treaty would have constrained national hudget deficits. National tax authorities are already restructuring value added taxes to conform to European guidelines. Although the EC has little revenue of its own, is there anything in the treaty to stop a flow of fiscal power and resources to the centre if a Euroyean majority wants to do so?

The ultimate protection of national sovereignty is the right to withdraw from the EC. It is significant therefore that the Community treaties contain no provision for unilateral withdrawal. What would happen if a country felt that its national interest and way of life were so threatened by the rules of a centralised European government that it wanted to leave? Could it be compelled by force to remain?

These questions are as difficult as they are important. The success of the Edinburgh meeting will be measured by the extent to which it provides clear answers. The author is a professor of econom-.

ics at Narvard University

THE DAVID THOMAS PRIZE

David Thomas was a Financial Times journalist killed on assignment in Kuwait in April 1991. Before joining the FT he had worked for among others, the Trades Union Congress.

His life was characterised by original and radical thinking coupled with a search for new subjects and orthodoxies to challenge.

In his memory a prize has been established to provide an annual study/travel grant to enable the recipient to take a career break to explore a theme in the fields of industrial policy, third world development or the environment.

The theme for the 1993 prize, worth not less than £2,000, is: WHAT ARE THE LIMITS TO PRIVATISATION?

Applicants, aged 21-30, of any nationality and not in full time education, should submit 500 words in English on this subject, together with a brief c.v. and a proposal outlining how the award would be used to explore this theme further. The award winner will be required to write an essay 1500 to 2000 words in length at the end of the study period. The essay will be considered for publication in the Financial Times.

CLOSING DATE JANUARY 8 1993

APPLICATIONS TO: ROBIN PAULEY, DEPUTY MANAGENG EDITOR THE FINANCIAL TIMES (Dept FT) NUMBER ONE SOUTHWARK BRIDGE LONDON SET YHL

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Edward Mortimer

Pass the human parcel



At European Community summits many statements are issued. Only a few are sericussed. One AFFAIRS statement

which this week's Edinburgh summit can be relied on to nod through is a "declaration on principles governing external aspects of migration policy", proposed by the British presidency.

While welcoming the "greater ease of travel and contacts throughout Europe" allowed by the collapse of communism, the summiteers will express their concern that "uncontrolled immigration could be destabilising and could undermine the situation of third country nationals who have legally taken up residence in the member states". And they will go on to list the factors they think could help reduce migration: "the preservation of peace and the termination of armed conflicts; full respect for human rights, including respect for minority rights; the creation of democratic societies and adequate social conditions: a liberal trade policy, which should improve economic conditions in the countries of migration: and co-ordination of action in the fields of foreign policy, economic co-operation and immigration and asylum policy". If that is to be taken as a list

of devout Christmas wishes, it borders on the platitudinous. If it is a list of New Year resolutions on which the EC's member states intend to act it is laudable, but strains credulity. They hardly have the power to create democracy, let alone adequate social conditions, beyond their own borders. They apparently lack the power, or anyway the willpower, to preserve peace and terminate armed conflicts. They have done a bit, but hardly enough, to encourage respect for human and minority rights. They presumably do have the power to adopt a liberal trade policy, but seem disinclined to exercise that power when dealing with goods that "countries of migration" can actually produce at competi-

tive prices such as steel. That leaves "co-ordination of action", notably in the field of immigration and asylum policy. Here the member states have indeed been busy. although they remain strangely coy about the details of what they have been up to.

Last week the ministers with responsibility for immigration natters met in London under the chairmanship of the British home secretary. Mr Kenneth Clarke. They did issue a press release listing the recommendations they had approved and the resolutions they adopted. but the texts of these documents were not made public. If it were up to the British

The EC resolution on asylum may force refugees to countries least able to support them



government the texts would no doubt still be shrouded in that cloak of secrecy with which it instinctively surrounds all its activities when not positively obliged to disclose them. Mr Clarke, for instance, had nothing to say about his deliberations with his European colleagues when he appeared the next day before the House of Commons committee considering Britain's own national Asy-

lum Bill One might think - indeed some MPs did think - that the

to stay in their own countries or continents, has disappeared. And the overall objective, to speed up the processing of applications in the interest of genuine refugees as well as that of host country, is reasonable enough. But the resolution does not

British draft, advising refugees

suggest that other EC countries should follow the Dutch example of speeding up the process by offering applicants free legal aid. Instead it introduces the notion of the "host

The object is to make sure that refugees are sent back to the first 'safe' country they were able to reach

former would have some bearing on the latter. But apparently it is none of their

Luckily the Dutch government is rather less secretive. And so the texts of last week's resolutions soon became available to British non-governmental organisations and journal-

One of those resolutions, calling for an "accelerated procedure" to deal with "manifestly unfounded applications for asylum", was referred to in this column on October 28. I am happy to report that some of the more offensive language I quoted then from the original

third country", defined at some length in an accompanying resolution, but meaning in essence a country outside the Community – other than the refugee's own - from which he (or she) has come and to which he (or she) can be sent

Did I say "can"? It is actually more like "must". Although there is a let-out clause under which "any member state retains the right, for humanitarian reasons, not to remove the asylum applicant to a host third country", any state which exercises that right in more than a handful of cases will clearly be letting the side down, since "the principle of the host third country is to be applied to all applicants for asylum, irrespective of whether they may be regarded as refugees", and "thus, if there is a host third country, the application for refugee status may not be examined and the asylum applicant may be

sent to that country." In short, the object of the resolution is to make sure that refugees are sent back to the first "safe" country they were able to reach. It complements the Dublin Convention, signed in 1990, under which member states agreed that asylum applications should be dealt with by the first EC country in which the applicant had

Although, as of last week, only four states had got round to ratifying this convention, ous use of it. A verb "to Dublin" has even been coined to describe the action of sending someone back to, say, Belgium on the grounds that he spent a night in Brussels airport before

reaching Britain. Britain is the main beneficiary of these arrangements. Few people will be "Dublined" to Britain, since few refugees will pass through Britain on their way to other EC states. The UK has placed itself at the hub of two concentric circles of selfishness. It can send people back to other EC countries, and now all EC countries will be expected to send them back to "host third countries".

Which will those host third countries be? All too often the central European ones closest to the horrors that people are fleeing from, and most in danger of being sucked into those horrors themselves: Macedonia, Croatia, Slovenia, Hungary, the Czech and Slovak republics, Poland. All those countries, in the midst of their own desperately difficult transition to democracy and the market, are struggling to cope with great flows of refugees and migrants, and have neither the institutions nor the

resources to cope with them. To qualify as a host third country, you must not threaten the life or freedom of the applicant, or subject him to torture or inhuman or degrading treatment, or send him back to the country whose persecution he originally sought to escape. As soon as you pass this test, your reward is to be expected to keep all the refugees that arrive on your own territory. and to accept back all those that have tried to move on to more prosperous and stable countries, which one might think better equipped to look

Is it by this obscene game of pass-the-human-parcel that west European leaders believe they will encourage "full respect for human rights" and "the creation of democratic societies and adequate social

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL.

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Building societies: a spread that would be a little too thin

From Mr Mark Boléal. Sir. Mr Mark Hull (Letters,

December 4) suggests that 30 vears ago building societies borrowed money at 4 per cent and lent it at 5 per cent, whereas now there is a 3 percentage point spread.

In 1962, the average rate of interest paid on building society shares was 3.7 per cent which, after payment of tax by the building society, equated to a gross cost of 4.46 per cent. The average rate of interest charged on mortgages was 6.61 per cent, a margin of 2.15 per

cent. In the first half of 1992, the average cost of shares was 9.04 per cent and the average rate charged on mortgages was 10.9 per cent, a smaller margin at 1.86 per cent

Mr Hull would like a 1 percentage point spread and his manager on the golf course at 3 o'clock. Sadly, neither is attainable at present.

A 1 percentage point spread

cover the management adequacy of a society. However, it would be insufficient to meet rigorous capital adequacy requirements, especially bear-ing in mind the effect of the recession on bad debts provisions.

Mark Boléat. director-general. The Building Societies Associa-3 Saville Row. London WIX 1AF

From Mr Antony L Millard. Sir, Mr Mark Hull is mistaken. The rule (used by the institutions until the 1980s) is

in fact "3-6-3" (borrow at 3 per cent, lend at 6 per cent, be golfing by 3pm). The so-called technological age has done nothing but electrify their golf-carts.

Antony Millard. Leslie & Godwin Financial

6 Braham Street. might just be sufficient to London \$1.8ED

Whacky, but an answer to a little understood problem

From Mr Donald Clarke. Sir. Your leader on the prospective demise of the unlisted securities market ("Going to market", December 1) makes the remarkably perceptive point that an external source of equity capital is more important for British companies than for their German counter-

Remarkable because this basic fact of British economic life seems to be so little under-

stood. The difficulties faced by companies needing the oxygen of base capital at a time when they are stifled by excessively large and expensive amounts of debt point to the need for a permanently available institutional source of equity capital It is inevitable that such capital will become more scarce and expensive as the liquidity of the secondary market | Somerset TA11 6BJ

declines, however easy it may be in times of booming corporate profits and investor demand.

There is thus a clear need for an institution capable of providing equity capital to private companies in all economic weathers. It must be able to acquire inexpensively, and hold indefinitely, equity stakes which provide its own sharebolders with little short-term income, but with the compensation of long-term capital

I could, if you like, suggest a name for the proposed institution, reflecting its long-term commitment to British business - "Investors in Industry" or, if you prefer a more whacky abbreviation, "3i". Donald Clarke. Barton St David Somerton,

Indian industrialist warns of danger of divisiveness

From Mr Ratan N Tata. Sir, The wanton act of destruction at Ayodhya on Sunday will remain as a dark moment in India's history. All right thinking Indians must feel a great sense of loss. Our independence was won

through non-violence. As the world's largest democracy India has built an international reputation as being a secular nation where all religions have co-existed peacefully. It is therefore unforgivable that political parties can consciously fan religious fanaticism and hatred to serve their | India

own selfish political ends. The time has come for the people of India to stand up against these divisive forces by fighting communalism and hatred. We should instead all work together to strengthen our common bond of units we are all Indians. Let us not destroy our heritage. Ratan N Tata. chairman, Tata & Sons, "Jeevan Bharati". Tower 1, 10th floor 134 Connaught Circus, New Delhi 110 001,

Mistrust and angst behind Swiss rejection of EEA

From Mr Bijan-Daniel Khezri. Sir. Your editorial on Switzerland's rejection of the European Economic Area ("A shot across the EC's bows." December 7) rightly states that the larger question at stake is the very future of the Swiss politi-

cal system. Close analysis of the Swiss discussion on the EEA, particularly in German-speaking Switzerland, further suggests

the following: Communication between the political and business elite on the one side and the public on the other broke down completely. As you stated: "The people trusted their instincts more than their leaders." Misinformation, largely circulated through privately sponsored advertisements in the local press, dominated the scene. Europe's political class and business leaders have failed to make the (so far diffuse) notion

of subsidiarity and suprana-

tionality accessible to the pub-

lic in a time of changing values and ever increasing political and economic transnational interdependence.

 Swiss rejection of the EEA is principally a rejection of the majority Germany-speaking Switzerland, where discussion had little to do with Europe itself, but was a reflection of a deeply rooted angst of losing one's very specific cultural

• Swiss rejection of the EEA runs smack into constitutional realities. It raises the question whether Swiss direct democracy is practical at a time when long-term structural decisions have to be taken which simply surpass the comprehensive capabilities of the average masses. Bijan-Daniel Khezri,

student, Institut Universitaire de Hautes Etudes Interationales. rue Rene-Louis Piachaud CH-1204 Geneva

Defying conventional wisdom

From Mr Denis MacShane. Sir. Your report on Renault's impressive success ("U-turn on the road to ruin". December 3) notes that the company is 80 per cent state-owned and its state-appointed chairman and chief executive is a former alde to the Socialist prime minister, Laurent Fabius.

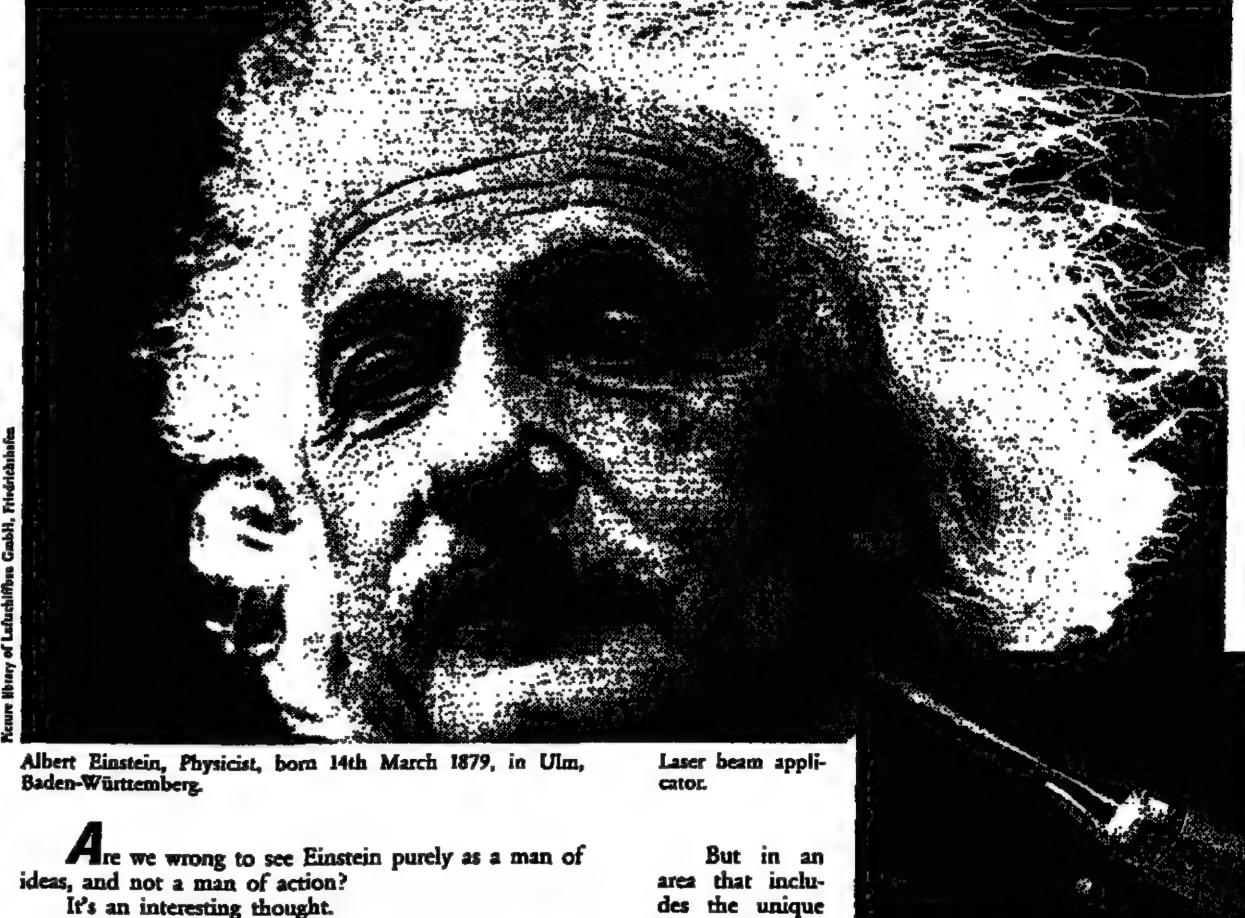
Does this not fly in the face

of the conventional wisdom that only privately-owned firms can succeed and that civil servants running industries are always a disaster? Denis MacShane. International Metalworkers Federation. 54 bis, route des Acacias,

Case postale 563.

CH-1227 Geneva

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the new age in science.

think about it too.

find a most enjoyable way of life.

OBSERVER

A tale of two heads

■ Fancy a flutter? If so, you might try one of the Russian commemorative coins tust unveiled in the former Soviet embassy in what was East Berlin, with a view to netting. D-Marks by the million for Moscow's hard-up treasury. Although introduced by a

Viadien Antipov, whose first name is shorthand for Vladimir Lenin, the coins bear the old Tsarist insignia of the double-headed eagle. "It is our new national emblem," he said. True, he went on, there was the little local difficulty of the

Russian mint official called

to approve the new national arms. But it had not definitively rejected them either. "We give no guarantees, but I think more deputies are for the eagle than against."

latest People's Congress failing

Whereupon up popped Russian diplomat Vladimir Polenov with an entrepreneurial twist. If the People's Congress did give the bird to the eagle, the value of the coins could soar by a

hundredfold, he thought. Beaming, Antipov followed up by naming a likely best buy for German collectors, who for "historical reasons" tend to take up three-fifths of the commemorative coins issued by the Moscow mint.

On the obverse side from the eagle, he said, the 25 rouble specimen in paliadium bore a smiling Catherine the Great, German-born and an enlightened despot to boot. Just the thing for a Christmas present at DM 650 a throw.

Burning issue

■ While parliament quibbles over who should pay for restoring the burnt-out ruins of Windsor Castle, MPs might give a little thought to their own fire precautions. According to today's report on same from the National

Audit Office, the Palace of Westminster has been without a fire certificate since 1979 when an inspection declared the provisions inadequate. It could be as long as three years before the Home Office Fire Service Inspectorate is able to issue new documentary approval.

As if that were not bad enough, the Treasury also lacks a fire certificate. Several departments share the Great George Street building, and there was apparently confusion over which of them was responsible for making the application.

Officials say they're looking forward to receiving the necessary paper any day. But given the record of Treasury forecasters, it would probably be wise to pack a wet blanket in your briefcase when going to 1 Great George Street...especially if visiting permanent secretary Sir Terry

Crooked

■ A Wall Street newsletter speculating on the next career move of an unfortunately named Smith Barney official, heads its story - "Lehman to name Smith Barney's Crooks to run trading".

In the dark

M A black day for transport minister Steven Norris and his official re-opening of London's Victoria coach station, restyled and fitted with all kinds of high-tech gadgetry at a cost of PAIN. For one thing, his mother

- a regular coach-traveller

perform. But he, coming only

- had bowied down from

Nottingham to see him



a mile or so from the transport department's headquarters, got held up by heavy traffic and was 20 minutes late.

What's more, even when he arrived, there was no lighting, no heating, nothing on the new passenger-information screens, and no computer ticket-dispensers at work. Thanks to a local power failure, Britain's busiest coach station - with 160,000 comings and goings a year - was

blacked out. So he took his mother on a tour of the gloomy complex, sporadically enthusing about how excellent the improvements would be when

they worked. And at least there were some real-life nassengers to see, awaiting their departures in the dark.

Title inflation ■ When is a professor not a

professor? The question has been posed by some churlish individuals who have noted that members of the Treasury's new private sector forecasting panel who are listed as professors

include Tim Congdon. While Wynne Godley, David Currie and Patrick Minford are full-time university types, consultancy-owner Congdon is a mere honorary professor of economics at Cardiff Business School, Usually, honorary profs tend to call themselves plain mister when outside the university that so honoured them.

Perhaps the reason is that, for career academics, a professorship generally takes much time and achievement to acquire. Moreover, even when they've won it, most earn a relative pittance compared with some of their honorary colleagues.

Whatever the latters' rights to the title, their use of it in public smacks of gilding the

Free lunch? ■ If public relations is all about

winning friends and influencing people, then the small London PR outfit Rostron Parry may well be approaching its profession the wrong way.

Its invitation certainly stands out from the general run as the Christmas party announcements roll in. Rostron Parry takes "great pleasure" in inviting Observer to lunch...then asks for a cheque for £14 to cover food and "a reasonable amount of

Can times be so hard that even journalists are expected to pay their own way?

Pecking order

🗷 A plump pigeon in a laboratory cage turns to its starving neighbour. "Why don't you try a bit of psychology? I've got the staff here so well conditioned that every time I peck this button, they feed me."

For more information about Baden-Württemberg (Germany), please contact: Agency for International Economic Cooperation Baden-Württemberg (GWZ)

Because had he not sought out the right facilities,

Einstein's theory was proven, but he equally demon-

Fresh thinking, and clear motivation still thrive in

with the right attitudes to seize a new opportunity, the

world may never have heard his radical ideas - or harnes-

strated that success is as much a function of action, as

the region of Baden-Württemberg, making it a major

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centre of high technology.

of ideas.

Mr Gunther Fuchs Willi-Bleicher-Strasse 19, 7000 Stuttgart I, Germany Telephone (+49-711) 2278721, Fax (+49-711) 2278722 The Ministry for Economic Affairs of the State of Baden-Württemberg

Ulm, and the Karlsruhe Research Centre, you'll equally

thinking automotive, aerospace, and electronics compa-

nies have made their base right here, at the centre of

Perhaps that is why so many of today's forward

And perhaps it might be the right time for you to



FINANCIAL TIMES

Wednesday December 9 1992



German interest rate rise provoked September turbulence, says banker

Bank blamed for currency crisis

By David Waller in Frankfurt and Quentin Peel in Bonn

Between States Abbee Botto Acceptance of the Control of the Contro

THE BUNDESBANK was partly to blame for September's turbulence in the currency markets, through its controversial decision to increase interest rates in July, a main board director of Deutsche Bank, Germany's largest bank, said yesterday.

Mr Ulrich Cartellieri, the board member responsible for economother countries would be unable to follow suit. Investors had behaved accordingly, moving their assets out of softer currencies into the D-Mark.

His remarks coincided with a defence of the Bundesbank by Mr Horst Köhler, the state secretary for finance in Bonn, who warned that countries with weaker currencies could not expect to have their exchange rates supported

by automatic interest rate cuts by the German central bank. At the same time Mr Köhler, Germany's chief international financial negotiator, warned that the Bundesbank could not conduct its monetary policy totally divorced from political reality and all democratic control. He said he would like to see lower interest rates in Germany.

Mr Cartellieri's remarks amount to the first open criticism from the top levels of the German banking industry.

in an implicit rebuke to Mr Helmut Schlesinger, the Bundesbank president who in a recent speech blamed speculators for the currency turmoil, the Deutsche Bank economist said that those who were indulging in so-called speculation were careful financial managers, in big companies and in financial institutions.

who had large cash balances in the weaker currencies.

"It was obvious for months that above all Britain, but also France, needed lower interest rates in order to enliven their economies." Mr Cartellieri said. That was made impossible by the Bundesbank's decision to increase its discount rate by 0.75 points to 8.75 per cent on July 16, in an attempt to curb domestic inflation.

lence had damaged German industry by increasing the value of the D-Mark against other cur-

He said that under present circumstances there was a real danger of a "downwards spiral" of devaluation, with threatening consequences for jobs, investment and economies across Europe. It was essential to carry on towards the goal of a single

currency for Europe, Mr Cartellieri said.

Mr Cartellieri's remarks. appearing only two days before the Bundesbank Council meets tomorrow to determine a target for next year's M3 broad measure of money supply, amount to a sharp attack on the central bank's monetary policy.

Moreover, his firm support of monetary union contrasts with Mr Schlesinger's own increasingly equivocal statements on the

He said the effectiveness of the Bundesbank's high interest rates - subsequently reduced by what he called a "minimal amount" as part of the realignment of the currencies in the EMS exchange rate mechanism in September was questionable. He cited inflation still running at 3.7 per cent, and annualised M3 growth running at 10.2 per cent in October.

Few doubt the wisdom of British **Carlton Communications**

Airways' expansion strategy, but some shareholders may be feeling a touch nervous at the financial implications of its aggression. As if TAT, Dan-Air and the mooted \$750m stake in USAir were not enough, British Airways is also bidding to take a 25 per cent stake in Qantas, the Australian national carrier which is being privatised next

The deal is far from done and BA Singapore Airlines and Air New Zealand. In order to secure the stake, BA may have to put £250m-£300m on the table - although how quickly it would have to pay it out is unclear. Any such outlay would take gearing close to 70 per cent, which surely begins to test the limits of financial tolerance.

BA would doubtless argue that opportunities to secure a foothold in the lucrative Asia-Pacific market seldom arise. And the stock market's apparent equanimity suggests shareholders may be ready to accept the argument. Whether they would be willing to back it eventually with cash is an altogether different matter. BA may be inclined to tough it out on the basis that there is only likely to be one more poor quarter to come and that any gearing up should only heighten its rebound. Alternatively, some form of capital markets issue may provide a neat way of sidestepping the issue. Yet perhaps BA would be privately relieved if one of its deals fell through Being the world's favourite airline can create its own dilemmas.

Carlton

The rehabilitation of Carlton Communications continues apace. Yesterday's 15 per cent annual profits improvement underpins the share price recovery that has occurred over the past two years.

Carlton's troubles were never as dire as first depicted. In retrospect, its problems stemmed more from a clumsy shift from first to second gear rather than a slamming into reverse. Appropriately, for a company specialising in visual entertainment. Carlton now offers highly visible earnings growth. The video cassette division continues to grow strongly after a near-50 per cent rise last year, while Cariton promises that a raft of new video equipment will jolly profits along too. Cariton Television will start will hardly contribute in the current expenditure.

FT-SE Index: 2769.8 (+15.3) Share price relative to the:

THE LEX COLUMN

High stakes down under

year, it may add £20m to profits by 1994, Carlton should also benefit from a currency kick this year which may enable it to surpass its historic profits peak of £127m - even though earnings may not do the same until 1994.

That said, one wonders how deep the market's renewed love affair with Carlton can be. Carlton's historic rating is now sandwiched between the likes of Wellcome and Glaxo. Should the quality of earnings from Hollywood be rated as highly as those derived from the frailties of human

Siebe may have got to the point where it is difficult to squeeze much extra margin from cost cutting. But since it has 45 per cent of its sales in the US, this may not matter too much. A stronger dollar and the high operational gearing at Foxboro should compound the impact of US economic recovery on its earnings. On that basis, the upward trend which has seen the shares outperform the market by nearly 40 per cent over the past year may have further to run.

The higher Siebe's rating though. the greater must be the temptation to launch a rights issue and maybe another large acquisition. Siebe made it clear yesterday that this was not part of its short-term plan, indeed there is no real urgency while debt is falling and interest is nearly four times covered. But the first inklings of an ACT problem have appeared andgearing would still be about 150 per cent were it not for Siebe's practice of UK privatisation experience on their

A rights issue to finance a UK acquisition could solve both problems. This need be not be negative for the shares as long as any acquisition is chosen for real strategic value rather than mere financial convenience. Foxboro has served the company well. Just the same, the uncertainty may at some. point damp the market's ardour.

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Deutsche Bank

Deutsche Bank may still be ahead of the game in spite of its 5 per cent fall in operating profits at the 10-month stage. True, this stands in sharp contrast to profits growth elsewhere in the sector and was sufficient to send shares lower yesterday. But the impact of Deutsche's aggressive expansion into east Germany is starting to fall away. Interest margins are being squeezed as savers in the east switch into higher-yielding accounts. Costs are also coming back under control now the task of building a branch network is drawing to a close. Next year's figures should be less clouded. Given the slide of west German industry into recession since the summer, the market may by then be more concerned with asset quality than operating profits.

By lending more in the interbank market rather than to its industrial and commercial customers, Deutsche is already sacrificing lending margins in favour of asset quality. By UK standards, the 1,000 job cuts next year promised by Deutsche's Mr Hilmar Kopper hardly amount to digging in for the long haul. Judged against the rosy optimism on the economy expressed by Commerzbank last week. though, Deutsche is more alive to the risks of recession.

UK privatisations.

Politicians never like to rock the boat. Because the government felt well served by S.G. Warburg in the last BT sale, it is natural for it to pick the same house to co-ordinate the next one. One wonders though, how far the Treasury has thought through the consequences. Intentionally or not, it is building up Warburg at the expense of other UK houses which need a track record in order to bid for the large equity issues that are becoming a common feature of overseas privatisations: Ironically foreign houses that help with the international sales can put the team, domestic houses cannot.

Warlord to welcome US troops Julian Ozanne meets the man who controls the Somali port of Kismayo COLONEL Omar Jess, the Somali warlord who controls the wild

southern city of Kismayo, turned to face the Indian ocean yesterday at the deserted port and gazed towards the horizon. He could have been looking for the French and US ships carrying troops which are expected to land in Kismayo and Mogadishu at dawn this morning.

Col Jess. leader of the battlehardened Ogadeni clan-faction, is the only man who can offer safe passage into Somalia's second largest port and a main objective of the US-led military interven-

"We want the US soldiers to come because there is anarchy and chaos in the country, there is looting and gangs and warmongers," said the colonel, leaning against a Land Rover armed with a mounted multiple grenade launcher adapted from a MiG-23 fighter jet.

The port and airport at Kismayo are vital to transport food up the Jubba Valley where the people are suffering the worst

If foreign troops encounter violence it is most likely to be in Kismayo where at least four clans are battling for control of the town's scant resources.

Mr Sean Devereux, a Unicef official in Kismayo, says: "Somalis in Kismayo have been used to localised power and they have seen what the gun can do and what power it can bring." The United Nations had to

evacuate Kismayo in October because of looting, hijacking of aid planes, intimidation and death threats against UN aid workers. The last three Unicel passenger planes into Kismayo have all been robbed at gun

Several ships have been looted while docked. In the last food shipment, only 20 per cent reached the most severely affected starving people. The rest of the trucks controlled by the local "authorities" were "diverted".



Robin Oakley (right), US special representative for Somalia, meets Ail Mahdi Mohamed, who describes himself as interim president of the country, in Mogadishu

"Jess cannot control the men with guns who do what they want and take every opportunity to grab and take," says Mr Dever-

Col Jess said he had done as much as possible to get food to his people. He did not get a cut from the looting, only a "few taxes" collected by local authorities under his control.

"The UN have destabilised Somalia, refused to help us and committed crimes which must be investigated and punished," he said. He also warned he would

fiercely resist efforts to turn Somalia into a UN trusteeship. "We will fight anybody who wants to colonise us again. We want to be independent and

Like other warlords Col Jess says he will welcome troops but expects them to entrench the position he has established by force. He expects US troops to disarm the bandits, feed the starving, develop the country and then get out and give him his slice of power back. As soon as this illusion fades

cessful in preventing supplies

reaching Serbia and Montenegro

by sea, much tighter controls had

to be imposed to prevent sanc-

Aircraft should be provided to

protect aid convoys and should

be authorised to fire back if a

convoy was attacked or remove

dynamic and independent Euro-

pean defence posture was partic-

ularly necessary in the light of

the progressive withdrawal of US

Although he hoped the Ameri-

can military presence in Europe

would be maintained at a

reduced level, the only chance of

preserving Nato as a viable

organisation was to transform it

into a genuine two-pillar alliance.

it was no longer just a question

of burden-sharing, but more

Greek party sniping, Page 2

Mr van Eekelen said a more

tions busting on the Danube.

any obstacles in its way.

troops from Europe.

equal partnership.

he, like the others, will become less welcoming. The problem for Washington will come after the initial euphoria when they are sucked into the complicated twists of Somali politics and the clan structure they may not

understand. "Somalis can never give up their clan-armies," said one of Col Jess' aides. "We have to have our gunmen to protect our people and our interests. You must understand this. America can do nothing about it. It is part of our culture now."

WEU chief calls for effective military measures in Bosnia

By Robert Mauthner, Diplomatic Editor, in London

COUNTRIES IN western Europe should take more effective military measures to deal with the Bosnian crisis, Mr Wim van Eekelen, secretary-general of the Western European Union, said vesterday.

The measures should include the establishment of "safe havens" for the Moslem population of Bosnia, as western allies had done for the Kurdish population in northern Iraq, and the provision of military air cover for aid convoys.

At a valedictory press conference in London before the 10-nation defence organisation moves its headquarters to Brussels next month. Mr van Eekelen said the United Nations operation in Bosnia "has probably reached its limits, as far as peacekeeping is concerned."

China or Russia would agree that the UN should become militarily involved in Bosnia, beyond its present task of providing protection for humanitarian aid convoys. That was why he believed the European countries should take a lead, if necessary outside

Mr van Eekelen recognised the reluctance of all countries to become "massively engaged with ground forces" in the former Yugoslavia. But the European countries should set themselves more limited objectives and then make sure that they were attained, which was not the case

the UN context.

"Military measures are sometimes necessary to achieve political objectives," Mr van Eckelen added. "Our credibility is zero politically because we are just not doing anything."

Mr van Eekelen said that while the joint Nato-WEU naval block-He did not think that either ade in the Adriatic had been suc-

Hopes rise for Danish deal

Continued from Page 1

his tour of capitals ahead of the summit had drawn speculation that Anglo-French relations have deteriorated significantly during Britain's six-month presidency of the Community.

The Brussels talks yesterday were aimed at meeting Denmark's demands for opt-outs on a common European currency, a putative European army, justice matters and EC citizenship. Mr Jean-Claude Piris, head of the European Council's legal service, who helped draft the UK paper, declared that the UK formula for the 12 heads of government to take a "decision" on Denmark's demands would not require member states to reratify Maas-

tricht. Foreign ministers and Mr Jacques Delors, European Commission president, also contrasted their still unresolved differences on subsidiarity - decentralising decisionmaking - and making Community business more open and democratic.

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NOVEMBER 1992



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Norma Cohen reports

Wednesday December 9 1992

instruments

Equilies

How a full-service global custodian operates

SECTION III

Once a dreary backwater of telex machines, clerks and computer tapes, global custody has become the focus of international rivalry. The effect has forced banks to think of new products to lure clients.

Competition livens up

A CROSS-BORDER securities settlement and administration product, global custody has for years been little more than a back office operation, far from the glamour of banking.

In recent years, however, the business, once a dreary backwater of telex machines, clerks and computer tape, has been the beneficiary of large amounts of capital investment. as new bank competitors have entered the market.

The US-based commercial banks which have dominated this business are increasingly being challenged by the rise of strong international competitors, particularly in Japan and Continental Europe, and by investment banks which have only recently fully understood how to capitalise on their traditional role as master custodian for clients.

The effect has been a scalingdown of fees to levels previously undreamt of, forcing banks to think of new products which will make their service stand out from that of their competitors.

Earlier this year, the industry drew a collective gasp that State Street Boston, one of the top 10 custodians, planned to charge the US's largest institutional investor, the California Public Employees Retirement System, less than one basis point for global custody ser-

A typical portfolio for a

global custody client might carry fees around six basis points - down sharply from the 20 basis point fee which would have prevailed just five years earlier, according to Mr Michael Borkan, head of client relations at Bank of New York.

fund managers - the clients of global custodians - to the international bank payments system known as Swift, raises some ominous questions for the future of some custodians. Clients will now be able to transmit instructions directly to, say, a sub-custodian bank in Thailand, bypassing the global custodian entirely.

"Fund managers may well communicate directly with each other and with subcustodians directly," says Mr Robert Meyrick, head of Barclays Global Securities Services. "Fund managers may eventually grow out of their need for global custodians," he says. Only by providing services such as cash management to an increasingly sophisticated clientele can custodians continue to retain their customers. There are two main reasons why banks are eager to be in a business where fees are falling

Fee pressures on European managers - who do not make custody charges bublic - are more modest than in the US. but custodians say that European clients will seek lower fees eventually as well. In addition, the admission of

> and competitors rising. First, custodians have learned how to exploit certain ancillary aspects of transactions banking so efficiently that only a relatively small proportion of global custody revenues need come from client fees.

Emerging

CUSTOBY

NETWORK

According to Mr Richard Foster, partner at the financial services practice of management consultants, Booz Allen, a study of the business has shown that no more than 50 to 60 per cent of custodians' revenues come from client fees. An additional 20 to 30 per cent of revenues comes from the ability to earn interest on clients' cash balances, and the rest from foreign exchange transactions on behalf of customers.

Most clients are too sophisticated to allow their banker to exploit these inefficiencies at their expense, but they can still be sold bolt-on services such as cash management and foreign exchange dealing.

Established

Performance

Moreover, with falling loan margins and rising write-offs from bad debts, banks are anxious to seek out fee-based services which are more likely to withstand the pressures of the present recession.

Ms Diane Glossman, banking analyst at Salomon Brothers, notes in a recent study of transactions banking in the US, that over the past decade. non-interest income at large US banks rose to 40.6 per cent of total revenues in 1991, from 26.0 per cent in 1981.

And while the largest tion of that has been from fees on client accounts, for some banks transactions fees have been quite significant.

Information management and reporting

Global custodian

"Given that we expect loan demand to remain lacklustre in the face of an unusually slow economic recovery in the US, we believe that banks will continue to seek fee income as a replacement for volume." Ms Glossman said.

Banks are willing to continue to invest large capital sums in their global custody businesses, Ms Glossman notes, because large economies of scale are available to the biggest participants, enabling them to charge competitive fees to clients.

Indeed. Booz Allen estimates

that the doubling of assets solvency. under a custodian's control

Order flow and

Futures and

reduction in costs.

Too many firms have, nevertranslates into a 35 per cent theless, entered the global custody business, for it to be profitable for all. "We are looking There appears also to be a return to more broadly-based for more consolidation," said banking relationships as the Antonio Wever of Booz Allen. largest companies reduce the Already, Mellon Bank's recent number of banks with which acquisition of blue-chip Boston they conduct business. "Clients Safe Company is regarded as a and banks are looking for linksignpost to the future. age between products and rela-The successful businesses

Securities lending

and repossession

Source: The Goldssen Sechs Trust compar

tionship pricing," Ms Glossman which remain will be those says. Thus banks with a wide which have most closely integrated global custody functions product range can capture cliwith other banking services. ents more fully. Some bankers acknowledge This means not only the ability privately, too, that greater to integrate the traditional credit provision can master custody business with other services, such as cash or extended to a custody client because the investment portfoforeign exchange management. lio offers the lender a greater but also to present information comfort about liquidity and to clients in an integrated fashIN THIS SURVEY

Regulatory scene Page 2 ■ Stock lending. Page 3 ■ Emerging markets; Derivatives.....Page 4 Profiles, State Street Boston; Swiss Bank Corporation.Page 5 ■ Electronic links.... Page 6 # Hidden fees Page 7

■ Monte Titoli...... Editorial production: Roy Terry

ion. Bank of New York, for instance, says it is developing a product which will allow clients to see not only their secu rities positions on a daily basis but all the supporting positions in derivatives or short sales elsewhere,

Such a product is of great interest to clients with investment portfolios which commonly include all sorts of exchange traded and bespoke futures and options, as well as complex hedging strategies.

Some of the US commercial banks who were the traditional industry leaders might find themselves somewhat disadvantaged, Booz Allen has concluded, because their global custody business was developed as a service distinct from that of domestic custody. "The merchant banks - such as Goldman Sachs and Morgan Stanley - may be the next industry leaders," says Mr Fos-

Investment banks have been best able to exploit the opportunities for international securities lending which are offered to global custodians.

This business alone can provide profits to justify entry to the business, Booz Allen has concluded.

Furthermore, many of these traditional operators have been saddled with enormous duplication of services within their business which drives costs up considerably.

It will be the ability to slim services down and eliminate many of the manual operations now required of custodians which will determine who will be profitable and who will fall by the wayside.

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Pensions probe: Kevin and Ian Maxwell appeared before the House of Commons social security select committee after the death of their father

THE CUSTODY business is the one area of the financial services industry that is still unregulated. However, it is not likely to remain so.

The death at sea on November 5, 1991, of Robert Maxwell. chairman of Maxwell Communications Corporation, sparked an investigation which revealed more than £400m was missing from pension schemes he controlled. The way in which assets disappeared has called into question the role of custodians and the rules under which they operate.

THREE years ago the Group of 30, a

Washington-based think tank, laid

down a blueprint for national settle-

ment systems in securities markets

around the world. Its nine proposals

were intended to galvanise thinking

in financial centres across the globe,

providing an international standard.

and a timetable, against which local

developments could be measured. And

most of it had to be completed by the

Three years on, the G30's targets

look to have been hopelessly unrealis-

tic. "It was always too optimistic."

says Mr Dick Feehan, senior vice-pres-

ident in London of Bankers Trust, one

of the biggest global custodians.

"They expected things to happen too

fast. I just think it's lost momentum."

The G30 is due in the coming weeks

to produce its latest review of how far

settlement arrangements in the main

financial centres have come to meet-

ing its targets. It is expected to show

further significant advances from last

year. However, as Mr Feehan sug-

gests, there is still a long way to go.

One of the biggest hurdles to be

overcome is the move to settlement

within three days of a trade taking

place. In the US, there are profound

doubts in many quarters about such a

end of 1992.

After Maxwell, UK controls are under scrutiny

Call for stricter rules

Using a series of transactions nominally labelled stock lending – aithough, in fact, it bore little resemblance to such practice - ownership of shares passed from the pension fund managers and custodians to other Maxwell-owned companies. The ease with which this

was achieved has dismaved MPs, who are demanding new rules to regulate pension schemes, fund managers and custodians.

The government has appointed an independent committee, headed by Professor Roy Goode, to study pensions

law, especially as it applies to custodians, and to make recommendations. And in March, the cross-party Parliamentary select committee on social security, which has held extensive hearings into the Maxwell affair, also suggested

assets under their control The idea has alarmed the UK's largest fund managers. almost all of whom operate custodial companies and derive significant fees from them. The National Association of Pension Funds, which has also called for the regulation of custodians, has suggested a more modest measure. It believes that custodians should only be separate from the fund manager for those pension funds which are managed in-house. That suggestion, however, has upset the UK's largest banks which are both fund manager and custodian for their own pension schemes. The sums are not inconsider-

use a separate custodian for .

able. More than two-thirds of the assets of Lloyds Asset Management belong to its own pension scheme and Barclays de Zoete Wedd manages more than £6bn of Barclays Bank pension scheme assets.

Perhaps the most contentious issue for custodians has been the suggestion that securities be registered in designated names. Mr Robin Ellison. partner at pensions solicitors Ellison Westhorp, says the idea is unsound. "If you put £5 in the bank one week and then go back the following week to withdraw it, you simply ask for £5. You dont say I want my

Mr Michael Robarts of Flem-

ing Investment Management, argues that designation not only offers little protection to clients, but will also slow down the settlement process, raising costs for everyone and increasing risks. "Chaos will ensue," he predicts.

Some firms, such as NM Rothschild and Mercury Asset Management, maintained securities in the names of individual clients in the days before London's Big Bang and the explosion in trading volume. However, this required con-



stant reconciliation of files, a cumbersome manual process that frequently led to errors in valuing client accounts when securities were filed incorrectly. When trading volumes rose sharply in 1987, the practice was abandoned. A return to it, would create more prob-

sions lawyer, advocated requiring securities to be held in designated names, on the grounds that such a move would have alerted securities firms to the true owners of shares received as collateral for personal loans

In the aftermath of the Max-

well affair Mr John Quarrell, a

partner at solicitors Nabarro

Nathanson and a leading pen-

lems than it would solve.

to Mr Maxwell "Since then, I've moved my position. I've been persuaded by the well-run houses that it is the auditing and the financial controls internally which matter most." The argument in favour of designation is best summed up,

however, by one example. Rob-

son Rhodes, administrators to the Maxwell fund management company Bishopsgate Investment Management (BIM), were able to recover £27m of shares in Teva Pharmaceutical, an Israeli company, from National Westminster Bank because of designation. Although the shares were nledged as collateral to Robert Maxwell's private interests, they were held in the name of BIM, a firm whose sole purpose was to manage pension fund assets. Thus, the liquidators were able to argue. NatWest should have been suspicious about the ownership of securities it was accepting as collateral. Not only were the shares returned but NatWest reimbursed the administrators £90,000 in costs.

But, says Mr Robarts, designation will do little to protect pension fund assets because designation is under the control of the custodian. Had BIM changed the designation to that of one of the Maxwell companies, the matter could have been easily covered up.

The answer, he claims, is to improve financial controls on custodians. For instance, audits of a fund manager do not include any review of the assets under custody. His own company has, for the first time, asked its auditors to include a statement about the custody business in the larger annual report.

Also, there should be tighter controls on which pension fund trustees have the authority to order custodians to move assets. While most custodians keep sample signatures on file, they may not necessarily know the powers of signatories.

Mr Roberts says custodians should be required to seek the permission of all trustees of pension funds before an individual is given the authority to

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MERGING

Meanwhile, some members of the pensions industry have suggested the UK should adopt US-style Erisa legislation which requires custodians to refuse to carry out orders which they believe or suspect to be improper. That view has been discussed with the Securities and Investments Board the City's chief watchdog. which is said to favour it. But

Perhaps the most contentious issue has been the suggestion securities be registered in designated names

Mr Roberts argues unless the largely clerical staff employed by custodians receive much better training, the rule will offer little protection.

Moreover, the rule will allow the US banks, which already dominate the global custody: business, to claim a further edge on their UK competitors by advertising to potential clients that they have long been following the rule.

Norma Cohen

five pounds'." fund managers be required to

Timetable proved too tight

The G30 settlement targets were unrealistic, says Richard Waters

short settlement cycle, which is suited more to institutional than retail investors. And the UK does not even have a system of rolling settlement, let alone one that works on a threeday cycle.

Despite the amount of work that still needs to be done, the G30 has few doubts that it was right to set the tight timetable it did. "We recognised that the targets were ambitious," says Mr Julian Gibbs of Barclays, a member of the working party that drew up the recommendations. "But we realised that If we didn't put tight deadlines into our report, people would

just delay their decision-making." The soundness of the G30's proposals has not been dented by the fact its timetable has proved too ambitious. he adds. A recent endorsement by losco (the International Organisation Securities Commissions) suggests the G30 was working along the right lines. Earlier this autumn, an Iosco

report on settlement arrangements in emerging markets endorsed the G30 recommendations.

Good intentions do not necessarily mean the ideas will ever see the light of day, of course. The appalling state of settlement arrangements in some developing markets has been exempli-

A big hurdle to overcome is settlement within three days of a trade taking place

fied this year by the securities scandal that has shaken India: ancient and decrepit settlement arrangements provided the opportunity for abuse when soaring activity in financial markets outstripped the capacity of the systems to cope with it.

Scandals like that in India and the need for emerging markets to compete for investment funds, are likely to prompt modernisation. But as

However, it's not regarded as the be all and

end all of communication between us and our

clients. We still count the humble telephone

as a vital tool. It also goes without saying that

our fees are highly competitive. If they weren't,

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we wouldn't be in business.

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international fund managers are only too well aware, good settlement is usually an afterthought in the opening up of domestic stockmarkets to international capital

The UK, meanwhile, remains one of the developed countries which is most behind in meeting the G30 recommendations. Clearing and settlement remains largely a manual process, making it prone to errors, and settlement still only takes place up to four weeks after a trade has happened.

Despite this, there is a strong belief throughout the securities industry that London's settlement problems are about to be laid to rest. The Taurus project, which will see settlement first of all automated and then put on to a rolling basis, has entered its testing stages this autumn. A nagging fear that the whole project would eventually be shelved, after more than a decade of debate and planning, seems largely to have been laid to rest

in recent weeks. For Mr John Watson, the project manager who has led the London Stock Exchange's Taurus development, it is a vindication of several years of effort. He denies that the project is running years late and over budget. "We're now very much at the stage where I said we would be," he says. And he adds that it took four years and around £80m to build Relit, the French system - roughly the

same time and budget that Taurus's

construction will have taken, if it is

completed next autumn.

Whether the UK is then ready to move quickly to three-day rolling settlement will depend on what happens in the next few months. Few big UK companies have yet asked their shareholders' permission to amend their articles of association, something that is necessary before they can move to a paperless system for recognising and transferring the ownership of shares. Most are due to hold their annual general meetings in the first part of next year, giving them the chance to make the switch. But if too few make the transition, it will be impossible for the Stock Exchange to

move quickly to a shorter settlement

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GLOBAL CUSTODY 3

clear understanding

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practices and tax regulations

which govern activity, conduct

Supervision from different

national regulatory authorities

to maintain standards and

require adequate capital to

Maxwell has had some posi-

tive effects. It is widely cred-

ited with pushing forward leg-

islative change, moving the UK

more towards the degree of

regulation found in the US. Mr

Thomas says it is increasingly

focusing on the need for sepa-

rate professional trustees, and

the separation of asset manage-

ment from custody.

cover the risks undertaken.

and appropriate treatment.

responsibilities.

		<u>m</u>	ILHOASI	Estimated Cross-exchange	Market	Foreign investors as a percentage of total investors			
	Market cap	Total	Foreign knyestors	trading	rate'	1990	19901		
Canada US	241,9 3,095.4	136.3 3,716.8	31,9 360.9	57.8 58.4	0.56 1.20	23.4% 9.7	46.2% 11.1		
UK*	858.2	608.2	151.6	85.4	0.71	24.9	34.1		
France Netherlands* Spain Switzerland Germany Rest of Europe	304.4 148.5 111.4 163.4 355.3 394.1	244.2 87.4 86.0 546.3 1,085.0 198.8	70.0 62,4 15.8 40.0 158.6 78.0	57.4 91.0 21.4 35.0 143.8 84.7	0.80 0.59 0.77 3.34 3.06 0.50	28.6 71.3 18.3 7.3 14.6 39.6	44,1 86.0 34.6 12.9 24.6 57.7		
Continent	1,477.2	2,247.7	425.5	443.2	1.52	18.9	32.3		
Japan Australia* Rest of world	2,821.7 107.3 650.3	3,310.7 79.5 2,076.1	268.6 . 30.4 . 172.4	163.9 9.6 55.6	1.17 0.74 3.19	8.1 38.2 8.3	12.4 44.8 10.7		
World	9,252.0	12,175.6	1,441.2	873.8	1.32	11.8	17.7		

Andrew Jack focuses on the practice of stock lending in the UK

Code of practice demanded

STOCK LENDING has risen from the depths of obscurity to new heights of public awareness in the past few months but for all the wrong reasons.

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The legacy of the late Mr Robert Maxwell has done more to publicise and in some ways more to damage the reputation of the activity than millions spent on advertising could ever have achieved.

Poor controls on stock lending at Bishopsgate Investment Management, the trustee and manager of Maxwell pension funds, with widely-known consequences, have helped further stoke existing fears from lenders that stock lending is a high-risk business.

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Yet Mr Simon Thomas of Davis International Banking Consultants believes the practice has suffered unfairly as a result. "Maxwell has dented people's confidence," he says. But it has been totally misunderstood by commentators. The market has been rather weak at defending itself."

He argues that the episode highlights the lack of supervisory control over pension fund management, and the value of dealing with well-regulated counter-parties. "What is quite clear is that there are no standard legal agreements for stock lending." he adds. "It has to be improved."

Nevertheless, the role and growth of international stock lending is widely endorsed by market professionals. As Mr ian Plenderieith, an associate director of the Bank of England and chairman of its stock borrowing and lending committee, said at a conference this summer, it has helped provide both timely set-

tlement and liquidity. Timely settlement, he said. resulted in improved market mately enhanced investor protection. Liquidity could only be assured in bear markets if securities could be borrowed. Stock lending also helped channel savings into investment, he added, by bringing together lenders with borrowers where they can raise funds

on finer terms. boost its public information efforts and to develop a code of on arrangements on the tax



good practice to help counter what he called public "misun-

derstanding". in spite of the reservations expressed in some quarters. there has certainly been a significant growth in demand for international stock lending over the past few years, driven directly by the expansion of cross-border investment and international securities trad-

There have been considerable technological advances,

The Maxwell episode highlights the lack of supervisory control over pension fund management

product innovation, and progress towards more efficient clearing and settlement on most of the world's stock exchanges, driven by the pressure since 1989 from the G30, the Group of 30 financial and economic experts.

There has also been a growth in competition, with an expansion in the range of lenders such as UK unit trusts, and of specialist intermediaries.

Future growth, according to Mr Plenderleith; will in part be constrained by tax reform. He highlights the achievement early last year for UK lenders of new accounting arrangements for pools of participants with the Inland Revenue.

Now efforts are being directed towards overseas lenders. He says that agreement on a relaxation of restrictions on the range of international securities borrowers and on the He called on the industry to number of parties involved in lending transactions depends

treatment of manufactured div-

idends. In many other countries. stock lending has been hindered by demanding tax requirements. For instance, the practice only began to develop in France in 1987, and in Switzerland in 1990 with the introduction of a more favourable

Mr Thomas questions how far lending will continue to grow in the UK. "There is so much resistance," he says. "People have been nervous about stock lending. There are stories of it taking 20 years for a mandate to be signed." He argues that while UK major funds are over-funded and their performance is so good. companies do not see the need. "The pressure just hasn't been

Elsewhere, he points to developments in Italy and Germany. Now attention is beginning to focus on Spain. Growing competition puts pressure on margins, which he says can be 100-250 basis points for some international lending arrangements, compared with 30-50 points in the UK.

He sees substantial changes taking place in the future. fuelled in part by Taurus, the Stock Exchange's electronic settlement system, the relaxation of restrictions on international lending, and changing market structures.

In the US. Ms Cindy Gall of Citibank points to the growing role of international stock lending, particularly with European markets such as the UK and Germany. "With a 24hour book, European centres are becoming very important," she says.

Mr Thomas says it is both a good time and a bad time to review developments in the sector. A series of regulatory changes are underway, many of which still wait to come to fruition.

Mr Plenderleith highlighted three types of safeguards which he said ensured that the inherent risks of stock lending were "identified, controlled and covered":

■ Bilateral legal agreements signed by the counterparties to ensure adequate collateral, proper authorisation by agents

does not suffer sloppy work gladly. Last year he dismissed two of his firm's 25 local custodians after reservations over the quality of the work they provided.

MR MARKUS RUETIMANN

Mr Ruetimann is director of client and market services at UBS Asset Management in London, and a strong defender of the importance of a series of local or regional custodians rather than a single global

The firm uses its own nominees for UK equities, with commercial paper. Overseas custody is delegated to some 25 active custodians and 29

inactive custodians. "We are quite happy to pay a little more to be close to the right partner," he says. "But if the price or service ratio rises.

they have to go." His attitude appears to reflect part of a wider trend shared by other fund managers moving away from global custodians to a more localised and flexible network of regional and local providers. Yet it stands in stark con-

trast to much of the perceived market movements in the past few months, substantially as the result of what the industry widely calls "the Max factor". Global custodians are hardselling their services partly

linked to the fears arising At the moment, he says from the stock lending abuses there is already considerable associated with the pension discretionary power in the UK. but it is not exercised. But he funds in the business empire of the late Mr Robert Maxwell. adds: "Some people say it may need another Maxwell scandal That has stoked considerable interest, while boosting the to force the whole thing

role of value-added services

and a shift away from price towards security.

A survey by Phillips and Drew Fund Management of 800 of the largest UK pension funds earlier this year showed a sharp increase in the proportion using or considering using a global custodian.

Its survey one year ago showed that 15.4 per cent were using a global custodian, and 4.6 per cent were actively considering their use. This year, 16.1 per cent said they used a global custodian, and 10.6 per cent were considering employing a global custodian.

But Mr Ruetimann says that few are ultimately persuaded by the arguments. The firm has not lost a single client." He considers Maxwell to be a red herring for clients. there is anything positive about the Maxwell affair, it was to increase the understanding of pension fund man-

> agement," he says. It has also had the unintended consequence of vastly increasing the number of meetings with company executives, auditors and others to discuss the issues. "Clients do understand the issues much more than before," he says. "Maxwell had nothing to do with fund management. It was a question of management

control procedures." What he does stress is the importance of using the same system for reconciliation, even though his firm has different managements for investment and asset administration. "The more people involved in reconciliation, the more possibility of fraud and mistakes." he

Mr Ruetimann says the benefits of using regional custodians include flexibility, less dependency and greater costeffectiveness. It allows local negotiations in line with local practice over fees, rather than

negotiating a single fee for all

markets with a single global

Andrew Jack finds out what fund managers look for in custodians

How to set about choosing

the right partner

rustodian The result, he believes, with increased competition and reducing margins, will be a reduction in the number of global custodians over the next decade. He argues that the true liabilities are not

always put on their balance

OK, I MOMENT WE'VE HAD TO DIMPROMISE ON SECURITY TO COMPETE ON PRICE



sheets, so their position may be weaker than it appears. There have also been considerable other changes affecting the relationship between fund managers and custodians in the last few months, which have made the services more

commoditised. Since June this year, fund managers have gained access to Swift, the electronic funds settlement system, which allows them to use the stan-

dardised messages facility.

Electronic trade confirmation has also been introduced. Phillips and Drew prefers to use banks rather than brokers

as custodians overseas because Mr Ruetimano says their creditworthiness tends to be greater, they have more capital, the technology is better and they are much more accommodating at accepting

More generally, he cites "the 7 Ca" of how the firm chooses

■ Cash management: with stocks invested in interest interest passed on to the cli-

■ Curtailment of risks: ensuring that potential custodians have appropriate systems, controls and insurance.

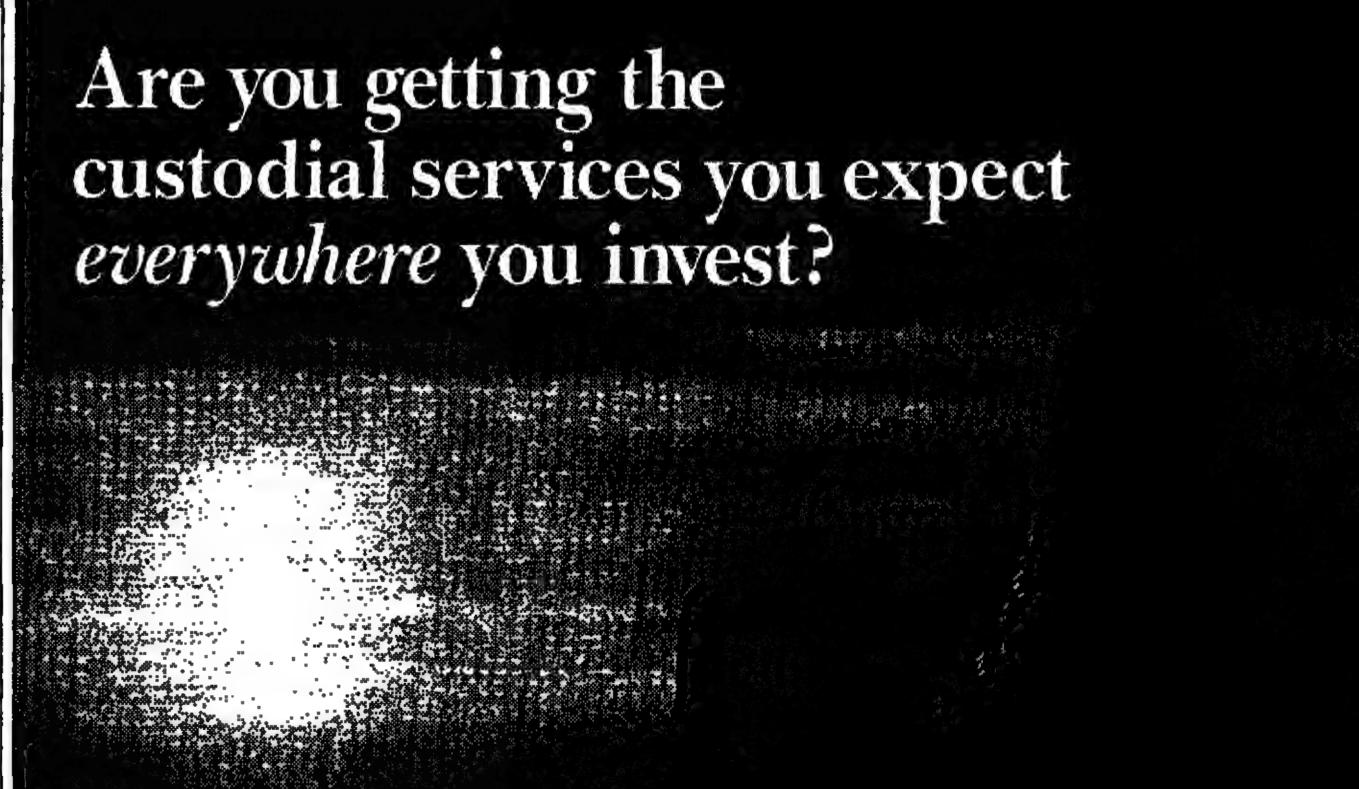
E Competitiveness of fees: to be offset against quality of service provide. Credit-rating: examining the

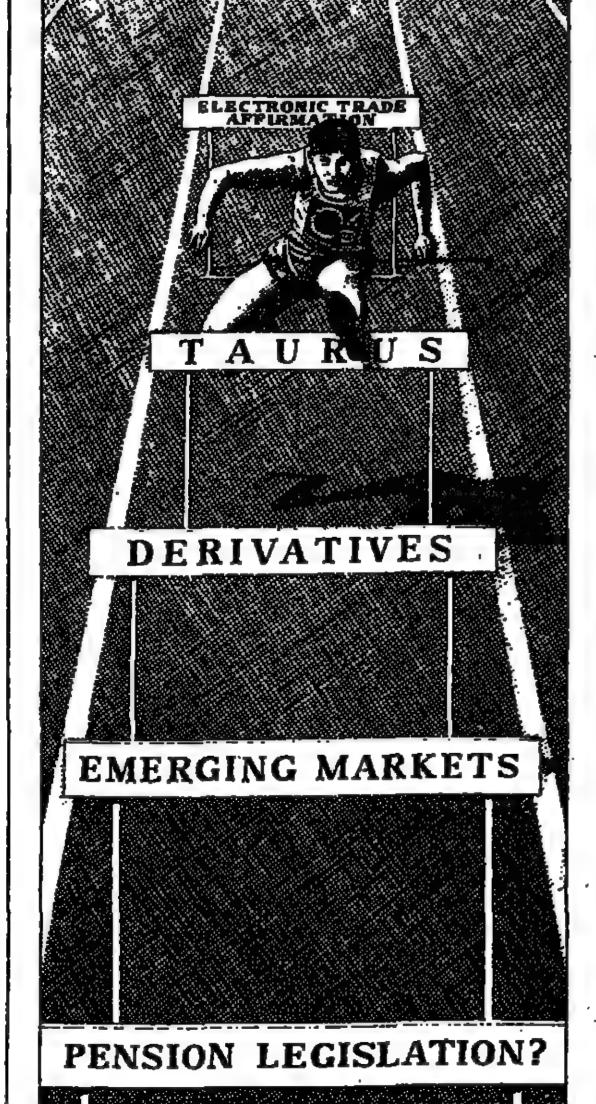
net assets and ensuring the balance sheet of the agent is healthy. ■ Communication and tech-

nology: how easy it is to communicate with agents and maigtain links with them. ■ Customisation capabilities: now that custody is becoming more commoditised.

■ Commitment and comfort: with regular checking of compliance backed up by personal

The jury may still be out on the future balance between global and regional custodians, but the next few years will certainly see plenty of dynamism from more aggressive fund managers to respond to changing demands.





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San Francisco: (415)445-0200 Sydney: (2)255-1104 Bangkok: (2)236-0119 Frankfurt: (69)2576-248 Brussels: (2)510-0441 Paris: (1)4-020-0241 Madrid: (1)578-3330



IT IS said that in Turkey, the secondary market for stocks and shares consists of men outside the exchange building selling suitcases full of certificates

for cash. While that may be an exaggeration for Turkey - or indeed for many of what are now known as emerging markets - it offers a glimpse into one of the most problematical. but potentially most interesting and lucrative, aspects of the global custody business.

Deciding on exactly which markets are still emerging is a subject of some debate, but broadly speaking, most Latin American markets, many Pacific Basin markets and

BUT IT WAS HERE ONLY YESTERDAY — AN EMERGING MARKET WHAT HAVE YOU DONE WITH IT?



almost anything in Africa, eastern Europe or the Middle East fall into that category. And, because of the handsome returns investors have earned from those markets, global custodians have been forced to sit up and take notice.

Dr Mark Mobius, chief investment director at Templeton Emerging Markets, one of the world's largest investors in that sector, has long complained that the reluctance of custodians to service these markets has been the greatest barrier to investment. "If we have to wait around for the banks to be more aggressive. it's a great disadvantage," he said. "But custodians are changing their attitudes."

Over the past year or so, he said, custodians have been more willing to invest capital in nascent markets from Pakistan to the Philippines, although not nearly enough to suit the needs of professional investors. In part, this willing-

ness to take on greater risk has been prompted by the intense competition for new business.

"One area which has caused fund managers a great deal of difficulty was the reluctance of custodian banks to offer their services until long after the market was open to foreign investors." said Mr Jeremy Paulson-Ellis, chairman of Genesis Investment Management, a company which invests exclusively in emerging markets. "With banks losing large amounts of money elsewhere, the custodians are not willing to put in the necessary development capital to emerg-

Entry to an emerging market requires not only investment in technology, but also expert knowledge of securities and banking regulation, market practice and tax law.

ing markets," he said.

Mr Ranjit Chatterji, head of Latin American securities at Citibank's global custody operations, said that part of the complaints from fund managers stems from the inability of banks to overcome the very real operational difficulties of trading in these markets. Deregulation in emerging markets has raised investors' expectations beyond the capacity of markets to receive their cash.

"Regulation isn't always well designed in attracting investment flows because there is too little investment in settlement and post-settlement systems," he said. "This leads to a mismatch between investors expectations and what can be done." Also, many of the countries deregulating their securities markets have also been simultaneously deregulating their foreign exchange markets, although not necessarily in tandem. The inability to obtain local currency for investment or to earn a return on it while it lies idle, has frustrated institutional investors. Emerging markets fund man-

agers note that just as the quality of service from custodians varies, so, too, there is a wide range of fees. In a recent analysis of fees, one fund manager said he found a 42 per cent variation between the highest and lowest fees charged by any of his custodians on an average \$100m portfolio and a 26 per cent varia-

Foreign opportunities beckon **COUNTRY FOCUS LIST**

Primary

Companies operating in the following countries are currently considered for investment Asia and Pacific Europe

Hungary Poland Indonesia **Portugal** Korea Turkey Middle East and Africa Malaysia

Botswana Pakiatan Zambia Papua New Guinea Caribbean and Latin America People's Republic of China Argentina Brazil **Philippines** Chile

Secondary

Countries to be monitored with a view to future investment

Asia and Pacific Bangladesh Europe

Sri Lanka

Thailand

Middle East and Africa Nigeria Swaziland Tunisia

Czechoslovakia Middle East and Africa Egypt

Ivory Coast Trinidad and Tobago Jordan Bolivia Келуа Colombia Malawi Ecuador Meuritius Peru Morocco

tion in fees on a \$50m portfolio. "There was no correlation between fees and service," the fund manager said.

It is not that fund managers do not appreciate the risks of being a custodian in some of these global markets. "There are markets where you shouldn't invest at all," said Mr Richard Watts, head of

Zimbabwe Caribbean and Latin America Costa Rica Jamaica

Mexico

Venezuela

Uruguay

Latin American investments at Gartmore Fund Management. "The custodial operations are poor, the stock market practices are poor, the market isn't transparent and the locals don't play by the rules."

Source: Genesia Investment Management Limited

Mr Watts said that in Venezuela, for instance, where settlement is officially three to five days after trade date, he tor if the service deteriorates.

has found settlement may not actually take place for 125 days after trade date.

Citicorp has found that while failed trades occur in roughly 10 per cent of all bargains in Latin America as a whole, in Venezuela the figure for failed trades is 70 to 80 per cent of all bargains.

In India, there are 19 separate exchanges, the largest of which is in Bombay. In Indian market practice, there is no delivery against payment. Also, due to settlement delays brokers can find themselves holding cash and securities for considerable periods. Buyers and sellers are exposed to the broker for the entire settlement period. Such inefficiencies leave custodians open to risks which they are unwilling or unable to accept.

Also, the information base on which custodians must act | well as trading instruments. is poor in many emerging markets. For instance, in some countries, there is no up-to-date central register of stock ownership. As a result, clients may be unaware of corporate actions such as stock splits or dividend increases.

Local regulations also hamper development of efficient custodial systems. For instance, in Pakistan a rule requiring foreign investors to re-register every time stock changes hands means a foreigner buying a share is effectively forced to hold it for up to 75 days until registration is completed.

Institutional investors say the best custodians are those who learn the nuts and bolts of markets and work with local authorities without considering the operational difficulties.

Meanwhile, Templeton's Dr Mobius said one means of dealing with troublesome local markets may be Citicorp's idea of designating a single local sub-custodian in each market. The single sub-custodian might then be encouraged to make a substantial capital investment in improving the service it offers in that market because it would have a captive clientele. Citicorp says that in markets where it is a sub-custodian, it would designate itself.

But other fund managers are sceptical. "I would never leave myself in a monopoly supplier situation." said Mr Paulson-

Placing too great a reliance on a single sub-custodian. could hinder the ability to negotiate the best price for the service or to select a competiTracy Corrigan discusses derivatives

New challenge looms

derivative products by investment managers has created new competitive challenges for global custodians. The complexity of the instruments involved, and their relationship with the rest of an investment portfolio, requires more sophisticated reporting than straightforward equity or bond trades, as well as strong operational support.

Aithough futures markets have existed for several decades, it is only recently that derivatives have started to be viewed as investment as But, while the development

of structuring and trading of derivatives has been at the top of banks' agendas for a couple of years, banks have been slower to react by gearing up their global custody business to meet these new demands.

"Typically , old custodial systems were designed to track the positions of physical securities." said Mr Aidan Dennis, product development manager, global securities services, at Chase Manhattan. "Now we're heading into a paperless environment and there are new techniques such as short-selling. Derivatives are just one part of an enhanced investment strat-

Systems now have to be able to perform an increasingly wide range of functions. Fund managers require a system which can record any open positions, consolidate positions across accounts, value positions, calculate full economic exposure, measure performance and track collateral.

With constraints on capital, some banks have been slow to make the necessary investments in terms of systems and personnel needed to offer a full service for derivatives. "I think one-stop shopping

for derivatives will happen, but it requires substantial investment in much more dynamic systems," said one custody specialist at a large hank. "It will take a few years before it is widely available." The reporting of positions forms a crucial part of the giobal custodian's function in the area of potentially risky derivatives. For institutions to

gain the maximum benefit from reporting, it is not enough for custodians to detail every individual position. For example, if an investor has a long position in Company A equity warrants, and is short Company A shares, the overall neutral position should be shown, rather than two separate positions. "There is a need to account for the use of derivatives in a manner which most accurately reflects the investors' use of strategy.' said Mr Alex Ehrlich, executive director at Goldman

Investors who have studied the issue agree, "The report-

Sachs.

Derivatives have only recently been viewed as investment as well as trading instruments

ing of derivatives] will have to become part of the standard service," said Mr Glyn Peat of Lazard Investors, who chaired the Pensions Research Accountants Group's futures and options working party.

Different types of derivative products demand different approaches. For example, for institutions which are active in exchange-traded futures, one function of the global custodian is to handle the payment of margin requirements. Because of their size, custodians can take advantage of economies of scale, as well as swapping an investor's assets for comparable assets which can be used as collateral for margin calls.

However, they are effectively competing against brokers, who perform functions such as margining and exposure management. To win business away, they will have to offer a more comprehensive service, which many custodians have not yet developed...

The issues surrounding overthe-counter outions are more complex. First, valuation of such options is difficult, since there may be no active market and options values shift constantly. Further, price movements are not in proportion to cash market movements. The issue of reporting and performance measurement has come under focus this year, as more fund managers start using derivatives, and trustees struggle to get to grips with the concepts involved. Early this year, the London International Financial Futures Exchange (Liffe) and Mercer Fraser published recommendations for the reporting of financial futures and options in investment portfolios. designed to provide UK pension fund managers with professionally-agreed standards of performance measurement of derivatives for the first time.

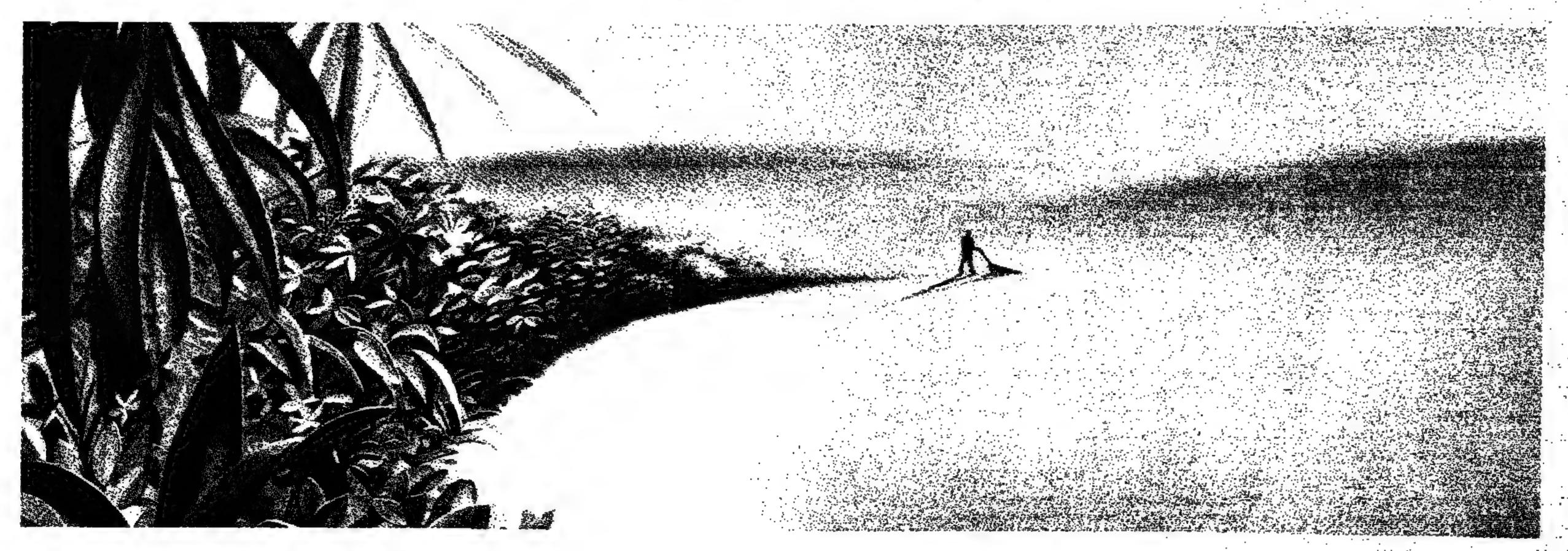
The new guidelines allow trustees to assess more easily whether fund managers are using futures and options for investment or hedging purposes, or whether they are taking more speculative positions.

Building on the Liffe recommendations, the Pensions Research Accountants Group (Prag), an association of 200 UK pension fund practitioners. last mouth published a document on the use of futures and options by pension funds which provides broader guidance for trustees, investment and pension fund managers on how best to meet reporting. control and performance measurement demands.

The report focuses on strategies and risks to be considered by trustees and ways of constraining investment managers. Prag supports Liffe's view. on reporting futures on an "associated economic exposure" basis - looking at the total exposure of a particular position, rather than just taking account of the initial margin payment. In the more complex area of options, the compromise solution is to account for premiums paid and received, and mark option prices to market. In fact, this does not fully reflect exposure, since accurate reporting requires technical calculations of the relationship between cash prices and option prices.

As the participation of investment managers in derivatives business grows, the attention given to back-office problems will also be encouraged. At present, unfamiliarity with the complex products involved has made derivatives something of a bugbear with the back-office staff.

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Group

National powerhouse THE 200-year-old State Street Boston, has undergone one of ket funds.

the biggest changes since the 1980s, with a new chief executive, Marshall Carter, replacing William Edgerly, State Street's long-standing leader. Mr Edgerly is credited with transforming the institution

from a struggling New England bank into a national powerhouse. Mr Edgerly was quick to realise the importance of new technology to State Street's future growth. Shortly after he took over in 1975, he implemented a programme to modernise State Street's data services and turned the bank's focus towards global custody

and securitisation, through mutual funds and money mar-

Today, it is something of a misnomer to call State Street a bank. Strictly speaking. State Street is a bank holding com-

\$123bn, up 25 per cent from a year ago. Mr Carter's appointment came as a surprise and fol-

lowed the unexpected resigna-State Street maintains that it attracts its big customers because of its state-of-the-art technology

Profile: STATE STREET BOSTON

pany and does handle some lending and a small number of traditional bank accounts, but the bulk of its business comes from servicing financial assets. State Street now has \$1,247bn in assets under custody, with

and its full service capabilities tion of Mr Edgerly's heir apparent, Mr Peter Madden, last

cross-border assets under cus-

tody standing at around

year. Although most observers

had expected Mr Edgerly to

choose another successor from

within the ranks of State

Street, the choice of Mr Carter

Mr Carter, who was at Chase Manhattan for 15 years before joining State Street, is credited with building Chase into one of the biggest global custody businesses in the US. Investors in State Street Boston have little to complain

met with widespread approval.

about. Net income for the third quarter has risen more than 50 per cent to \$41.9m, and the institution's stock is trading at the top of its 52-week range. Most analysts expect State Street to continue to generate significant new account volume. Earlier this year it won the important \$65bn California **Public Employees Retirement**

trend among large investment

institutions to split their asset

management related contracts

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fade, "We think costs are

higher if these services are

unbundled." he says. For

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Mr Landolt accepts, how-

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State Street Boston assets under custody and management (\$bn) Five-year 1990 1991 cod, dromp Assets under custody Mutual funds 12% 315.2 404.0 286,3 346,0 429.3 498.4 Customer location MT/MC/GC1 25 33" 20 50 17 108.0 335.2 250.3 Corporate trust 66.9 42.2 Bank services Insurance 29.1 Other Europe Asia/Pacific 31.9 18 440.8 529.0 841.3 1,054.8 525.1 Assets under management 29 13 Institutional 23.5 2.6 53.3 3.5 62.2 3.4 84.1 4.8 35.4 3.0 27.0 Personal Total assets under managgement 28 26.1 65.6 **88.9** 38.4

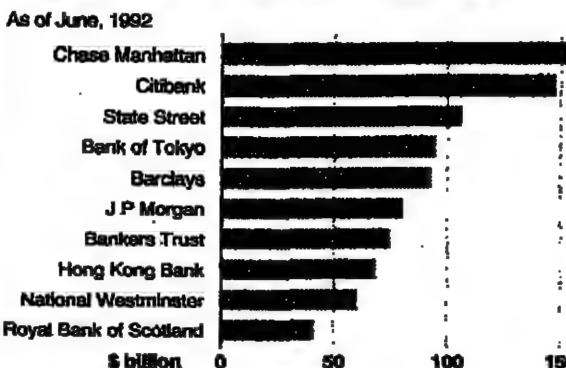
System (Calpers) account It won the Calpers business by offering to charge about half as much as its closest competitor in fees. The sharp undercutting has led to accusations that State Street bought the business to get market share, and some critics charge that State Street has started a

price war which will hurt the bank as well as its competitors. State Street maintains that it attracts its big customers because of its state-of-the-art technology and its full service capabilities, while its economies of scale allow it to offer reduced fees in a maturing market and still make a profit.

While some see the aggressive bid for Calpers as a sign of a change in the industry, others see the hand of Mr Carter at work, and suggest it as an indication that State Street will become even tougher.

The global custody industry is becoming fiercely competitive after a decade of extremely rapid growth. The industry's staggering

growth in the 1980s was fuelled by public and corporate pension funds moving into foreign investments. But as the industry has matured, the pace of growth has started to slow. In addition, several newcomers have entered the arena, includTop 10 cross-border custodians



ing Morgan Stanley, while the merger of Chemical Bank with Manufacturer's Hanover will create competitive global custody operations. One way that State Street is

Source: Edully managine

responding to the heightened competition is by turning its attention to emerging markets. "Emerging markets have always been part of our global custody business," says Mr Gundy, "but the range and pace has grown dramatically. We now have a presence in about 46 countries, compared with about 34 countries a few

Although the rate of growth

in emerging markets will probably slow in coming years, Mr Gundy expects absolute growth to continue. "Institutional investors are looking for exciting opportunities for getting into markets at the earliest possible points so they have a shot at the biggest possible Mr Gundy believes State

Street will also benefit from the Robert Maxwell affair. which has led to a heightened sensitivity to the issue of separating fiduciary responsibility from money management. "It has changed the inclination of institutional investors, who

now want a clear definition of responsibility, separating holding assets from managing assets. I think this will translate into more business for us. Investing in new technology remains imperative in the global custody industry. In 1991, State Street installed an accounting system to track global securities portfolios in multiple currencies.

Source: State Street Beston

But State Street's rivals are also spending heavily on new hardware and software. Citicorp, for example, is pumping \$80m into its securities processing systems for a complete overhaul by 1994.

Mr Gundy expects to see further fine-tuning of State Street's systems to present more information more clearly and more quickly.

So far, the changes within State Street since Mr Carter took charge have been subtle, according to Mr Gundy. "There has been a re-affirmation of our strategy and an increased focus on the business of servicing financial assets. One piece of tangible evidence is the addition of an executive vice-president responsible for all securities operations. That position didn't exist before Mr Carter came."

Karen Zagor

Eyes on foreign customers

Swiss banks believe the industry is over-competitive, says lan Rodger

SWISS bankers have still not quite got over the andacity of the big US banks in making a business out of the provision of custodian services.

From the Swiss point of view, custodian service has always been one of many functions carried out by bankers in looking after their customers' portfolios.

And they, as bankers to the world's rich, had been doing it for decades before the Americans put a name on it and in the 1970s turned it into a profit centre.

In fact, Swiss bankers acknowledge US banks were also responding to a new trend in investment - the desire of large investment institutions to hedge their risks by investing a portion of their assets in foreign securities.

Perhaps their pique related to the fact that they did not see the opportunity first. "We were awakened only after the US banks did it," Mr Ernst Balsiger, executive vice-president of Swiss Bank Corporation (SBC), admits.

Now their view is that the business, which for a while was highly profitable for a few banks, has become over-competitive. "It is simply ridiculous," says Mr Burkhard Gutzeit. head of securities operations and global custody at Crédit Suisse in Zurich. "This business is not profitable unless you are dealing in the billions of dollars, and the institutions are pressuring us

to cut prices further." The Swiss say that margins are becoming too thin to justify the investment required in the necessary electronic control and information systems. "You have to invest \$100m plus if you start from scratch," Mr Gutzeit says. "Then you can enhance the system up to a point, but it is like with cars, there comes a point when you

have to buy a new one." He and other Swiss bankers predict that these pressures will lead to the big European clearing organisations, Euroclear and Cedel, gradually taking over the global custody business from Individual banks, as only these organisations will have the volume needed to support the immense cost of electronic sys-

tem development. Moreover, he predicts, the **European banking community** will lose its logal struggle to prevent the big investing institutions from having direct access to the clearing organisations. That means many institutions will gradually abandon their banker custodians and deal directly with the clearing organisations for settlement and custody services.

The Swiss say margins are too thin to justify investment in electronic control and information systems

The response of the Swiss

banks to this outlook has been typically thorough and cautious, with a view to providing service where it makes sense to do so and keeping all options open. Fortunately for them, they all have very large private banking businesses in which custody services remain part of the total package of fund management offered to high net worth individuals.

Thus, they have to build up their custody canability anyway, and this capability can then be turned into a commercial product offered to institutions and to foreign custodians seeking sub-custodians in

Switzerland. All the big three banks say they are committed to the local institutional market, and, to differing degrees, are going after institutions in other countries as well.

In part, their interest in seeking foreign customers appears to be a response to the competitive threat from the big US custody specialists in the Swiss market. By all accounts, these incursions are modest so far, and the Swiss are confident that they can hold their own.

But UBS, among others, wants to retaliate. "US custodians are actively penetrating the Swiss market, so we have to use the same weapons. Our

marketing plan is to penetrate interesting markets in the US. Their pension funds are investing more and more overseas," says Mr Josef Landolt, senior vice-president for securities administration.

But with the exception of SBC's large operation in London, the big three have tended to scale down their custodial operations outside Switzerland in recent years, preferring to contract out to sub-custodians and clearing houses in important foreign dealing centres. Mr Landolt makes clear that UBS's priority is to serve

domestic institutions, includ-

ing smaller banks.

The big three are also members of the European clearing systems, Crédit Suisse and SBC in Euroclear and UBS in Cedel. They are also the dominant shareholders in Inter settle, a system intended to serve all Swiss banks, taking over the settlement of their international securities transactions. The Intersettle system, developed at a cost of more than SFr60m, is now being tested, and is due to go into full operation in the first quarter of 1994.

Mr Gutzelt believes Intersettle will gradually take away much of the banks' Swissbased global custodial business, but, since it is at least owned by the Swiss banks, that is better than losing custom to the European clearing systems, in his view.

Mr Landolt agrees that Intersettle could take away custody business, not only from banks, but also from Ruroclear and Cedel, provided it offers a competitive service. "Personally, I feel we will not channel our total business through Intersettle. I have the strong feeling that we can continue to attract business from

the institutions." Mr Gutzelt agrees. "It is difficult to draw the line between institutions that need back office support and those that do not. We are strategically well placed because private clients demand a system that is close to what small institutions want."

Mr Landolt suspects that the

Profile: SWISS BANK CORPORATION

For a better approach to global custody, look to a leader in global finance.

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Being a leader in global finance requires excellent connections with distant and differing markets. That's also why J.P. Morgan

excels in the complex business of global custody.

Stronger commitment banks all carry out global custody for their Swiss and, to

published a debate between two senior executives of Swiss Bank Corporation (SBC) on whether the bank was wise to continue to develop its global custody business.

Today, the argument rages on, both within SBC and throughout the banking community, but SBC's commitment to global custody seems, if anything, stronger than it was two years ago.

"We are fully committed," says Mr Ernst Balsiger, executive vice-president of SBC in Zurich, but he also predicts a big shake-out in the sector in the next few years as excessive competition leads to a margin

SBC's involvement in global custody is interesting in at least two respects. In the first place, the bank is still trying to carve out a strong independent role for itself in this increasingly competitive business, while the two other big Swiss banks, Union Bank of Switzerland and Crédit Suisse, appear to be more cautious. Second, it is running the business in London, not in Switzerland.

But, first, some qualifications and clarifications. All the Swiss banks have been carrying out global custody, in the strict sense of the term, for decades. Indeed, it would probably be fair to say they were pioneers in global custody, for it was their wealthy private clients from around the world who were among the first to accept the idea of a mix of securities from various countries in their portfolios. Similarly, the big Swiss varying degrees, foreign institutional customers in Switzerland, and they act as sub-custodians in Switzerland for global custodians based in other

countries. Where SBC differs is in aggressively marketing a global custody service based in London to investment institutions and banks around the world. "All our institutional clients, even Swiss ones, are

An electronic system enables clients to access information at SBC offices throughout

the world

ceed this way was taken three years ago, with the idea being

150 non-British banks. don business - "not quite as substantial as that of the UK clearing banks," says Mr Taylor. "We rank as one of the best, but it is not our goal to be the biggest," adds Mr Balsiger. And the business has "broken

directed there," Mr Balsiger The strategic decision to pro-

to build on the unusually strong sub-custodian business SBC had built in London over several years. According to Mr Alan Taylor, director of global custody in London, the bank provides this service for nearly The bank is typically discreet about the size of its Lon-

even", he adds. The group has developed an electronic system to support its

custody operation so that cli-

ents can request information at SBC offices throughout the

Mr Taylor dismisses the widespread view that global custody will become a commodity business, thus squeezing out all but the largest players. "When we are asked to compete for an account these days, we often get a 20-page questionnaire to fill out. That is not a characteristic of commodity businesses."

He says there remain many differences in the service features provided by global custodians. SBC, with a staff of 50 in its London operation, empha-sises staff training so that client requests can be dealt with intelligently.

The bank assigns a single officer to each client, who visits the client regularly, talks his language and tries to respond to his needs.

Meanwhile, in Switzerland, SBC is pursuing a dual strategy on custodial services. It is a member of Intersettle, the organisation being set up by many Swiss banks to provide settlement and custody services on foreign transactions. Intersettle is expected to take over much, if not all, of their Swiss-based global custody business for institutions.

But it is also maintaining a strong custodial capability as part of its total service package for private clients. "There we have an advantage because our private clients will never try to become members of international clearing organisations," says Mr Balsiger.

Ian Rodger

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shorten settlement times. The reality: a complicated jigsaw of different systems in which not all of the pieces fit together, contributing to higher costs and risks for the

securities industry. That, at least, is the present position. But to judge by two initiatives launched in the past year, the dream may be getting much nearer.

The ETC (Electronic Trade Confirmation) project in Europe and ISITC (Industry Standardisation for Institutional Trade Communications) in the US are both co-operative ventures to promote common standards in the way trades are confirmed and settled. Finding a way for these two separate ventures to co-operate

developing a single interna-

"A lot of banks and institutions have spent a lot of money on systems - and good systems at that," says Mr Alistair Reid of Morgan Grenfell. "The weak point is when they try to transfer information outside their own organisations. The next level of efficiency is to get systems that speak to each other."

ISITC was formed by a group of investors and custodian banks in the US to promote common standards for communications between the two groups. For the custodians, this marks a considerable shift in strategy.

Most have invested heavily in proprietary systems in recent years, enabling investors to communicate with them directly. These links have helped to tie investors to particular custodians, protecting will be the next challenge in the custodians' income.

tional network.

Richard Waters explores the dream of a global electronic link

Jigsaw of different systems

Common standards could undermine these proprietary systems, forcing banks to write off their investments while at the same time making it easier for investors to shop around to reduce the fees they are pay-

has been a lot of soul-searching over this development. However, they seem to have decided to make the best of it - perhaps out of a desire not to repeat the rearguard action fought to keep fund managers out of Swift, the international financial messaging sytem. until recently.

Also, the development of

only a limited impact on custodians' business, at least in its early years.

investors with links to a small number of custodians are likely to maintain those connections, since there is no advantage to them changing. Custodians admit that there says Mr Sean Quinn, client technical services manager of

Chase Manhattan in London. He adds that investors which use a larger number of custodians are generally communicating by facsimile or telex, so common standards for electronic systems could help both sides by making communication more efficient.

Also, existing bank systems

standards being developed by the ISITC working group and will not have to be scrapped.

Europe's own industry-wide electronic trade confirmation project has also raised questions about the future relationship between different groups of intermediaries in the securities markets. ETC is designed to link investors and brokers, making it possible for them to confirm trades automatically. Potentially, though, it could provide the basis for an ordermatching system on which institutions could trade

directly with each other. While the ISITC project is aimed only at developing common standards, ETC has led to

the selection of three commercial vendors to provide systems which meet standards selected by a representative group of users: the London Stock

Exchange, the International Securities Market Association and Thomson Financial Networks. The intention: for links to be built between the three, making it possible for an institution which uses one of the systems to confirm a trade with a broker who uses another.

For now, the backers of ETC say they have more important things on their plate than extending their project to take in trade confirmation. "Order-

intention," says Mr Reid of Morgan Grenfell. "It's still a back office project."

The development of this common infrastructure to support back office operations has not always run smoothly. The Stock Exchange, for instance, has recently appeared to cool to the idea of linking its Sequal trade confirmation system to Isma's Trax and Thomson's Oasys. Pressure from users appears now to have changed

its mind. There is also the danger that the ETC and ISITC developments will tread on each others' toes. Backers of the US project have begun talks for a similar venture in Europe. The supporters of ETC are not enamoured: Mr Chris Smith of Fidelity, one of the instigators of ETC, believes the two projects should be developed by

the same group of users. "I really am concerned it [the matching is not a current separate ISITC development

will get in the way." he says. He would rather it was developed by the same industry user group which has promoted GLO

Supporters of ISITC agree there is a danger of duplication. "Too many people are setting up to be standards bodies," says Mr Quinn of Chase. He adds, though, that the ETC group already has its hands full at the moment.

The initial rivalry is likely to give way to closer co-operation in future. Formal talks between institutions involved on each project are already planned, with a view to promoting electronic links between investors and their custodians in Europe.

Unscrambling the jumble of systems in this way should help to bring settlement times down towards the three days envisaged by the G30. As yet, though, it is still more of a

Barry Riley examines the electronic bank payments system

Move to join Swift is slow

ARE THE leading investment management houses reluctant. like Groucho Marx, to join the type of club that would be willing to have them as members?

Technology, in a tantalising way, is beckoning the investment management industry. A few high-powered personal computers or work stations with the right software and the right interfaces may be all that is needed to wrest control of important aspects of the trading and settlement process from the exchanges, the brokers and the custodian banks. The jurisdictional boundaries may need to be redrawn, but exactly where should they be inserted?

Such battles are being fought in various centres, but in the UK a key area of dispute has been over access by fund managers to the banks' international communications network Swift, which stands for Society for Worldwide Interbank Financial Telecommunications.

For several years fund managers fought to gain access to Swift but were rebuffed. In June 1991 just 68 per cent of the system's members voted to allow non-bank investment institutions into the system, a small margin short of the 75

per cent majority required for this constitutional change.

Some institutions had hoped to use the Swift messaging network to confirm international securities transactions. "Frustration was felt by many fund

The Swift system already existed and it would have been much easier to use that system," says Mr Jonathan Rashleigh, finance director of Legal & General Investment Manage-

posals by fund managers to find alternatives. An industry user group of institutions and brokers was set up late in 1991 to specify electronic trade confirmation (ETC) products which are now almost ready for the market place. The participants were mostly British but the bigDutch investment group Robeco was involved. and a number of Continental brokers and banks are likely to install the new systems.

in the meantime, however. Swift has changed its mind. In June this year the banks voted 95 per cent in favour of letting the outsiders in, arguing that the upgrading of systems had made expansion more practical. Privately, however, some of the banks admit that their

earlier opposition may have been rather short-sighted. Perhaps some of the fears that big fund managers might side-step the custodian banks have faded, or perhaps the debate has anyway moved on.

This has been a complicated area because some of the big investment management operations have in any case been part of large bank-owned groups, and through in-house custodians have bad indirect access to Swift. But no more The rejection triggered prothan about 3 per cent of Swift transactions are thought to have been related to securities deals, and new formats might

> ment institutions. The position now is that some of the big non-bank investment institutions are considering Swift and are likely to join, but there is no lengthy queue at the admissions office.

have had to be developed to

suit the requirements of invest-

fully," says Mr Chris Smith, who is in charge of the middle office at Fidelity in London. "You need to go into it with your eyes open. It's not a pana-

"We will evaluate Swift

Mr Jonathan Rashleigh at L&G is also considering Swift. "We are certainly quite

attracted to the prospect," he says. "My bet is that a number of the larger players will join, but it is not going to be a land-

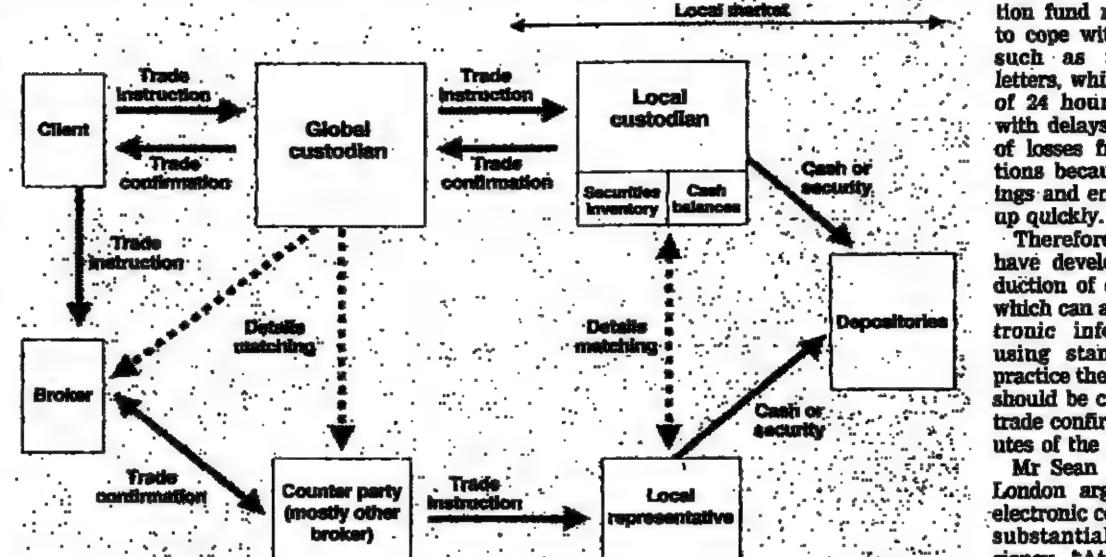
The question is whether many institutions will think it is worth stumping up the substantial cost of joining Swift when cheaper trade confirmation alternatives are becoming available. They will need to see a substantial scope for using Swift to communicate with their custodian banks rather than with their brokers.

Meanwhile the ETC systems are all but ready, and will be good enough for the requirements of many of the smaller and medium-sized investment

Some argue that if fund management houses had been given access to Swift earlier and could have used it for confirming international securities transactions other systems might not have been required. Essentially the problem has

been in coping with inefficiencies in overseas securities transactions. These are more difficult to handle than domestic trades, information on which is sent out by the London Stock Exchange by computer every night, so that any mismatches can be spotted

Trade settlement - flow of information



THE complex flow of Information that has to take place before a securities trade can be completed is becoming increasingly automated. Many of the messages, such as those to local custodians or to representatives in local markets, are carried on Swift. the interbank messaging system.

next morning. However, when it comes to cross-border transactions a significant percentage go wrong.

However, telex and fax machines continue to play a part in communications between investors on the one hand and their brokers and custodians on the other though messages between investors and custodians are sometimes carried on the castodians' own proprietary systems.

ETC (Electronic Trade

and up to 10 per cent may not settle on the normal day. This can in itself be expensive. In addition the whole process is

Confirmation) and ISITC (Industry Standardisation for Institutional Communications) are intended to fill these gaps. ETC will automate trade confirmation between investors and their brokers. ISITC will perform the same function between investors and custodians. Once completed, the process will

being given momentum by the pressure from the Group of 30 which is trying to push stock exchanges around the world to

be handled electronically.

adopt a three-day settlement

In the case of trade confirmation fund managers still have to cope with archaic methods such as telexes, faxes or letters, which introduce delays of 24 hours or more. Along with delays go increased risks of losses from failed transactions because misunderstandings and errors are not picked

Therefore strong pressures have developed for the introduction of compatible systems which can achieve instant electronic information transfer using standard formats. In practice the new ETC networks should be capable of providing trade confirmation within minutes of the order being placed.

Mr Sean Quinn of Chase in London argues that the new electronic communications will substantially improve efficiency. At present there can be quite a lot of toing and froing before we get our instructions," he says: "We have to wait until investors and banks have agreed their

transactions." At S.G. Warburg Mr Gordon Lindsay, managing director of custody, takes a similar view. "These developments will help to automate the process and eventually allow us to reduce staff levels slightly," he says.

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As for Swift, meanwhile, the hankers in their club may be able to relax in the knowledge that many of the fund managers will not be filling in their membership forms after all.

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GLOBAL CUSTODY 7

Norma Cohen investigates how custodians generate revenue

Figuring out hidden fees

CUSTODIANS do not enjoy talking about how they generate revenues and are circumspect when asked to give details of fees charged. But it is clear that to survive, global custodians must find ways of earning fees in addition to those paid directly by clients. Indeed, a recent study of the global custody business by management consultants Booz Allen, concluded that 50 to 60 per cent of custodians' revenues come from the fees they charge clients. An additional 20 to 30 per cent come from net interest income on client balances and 10 to 20 per cent from foreign exchange trading and other transactions.

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How custodial banks are able to do this is worth examining, particularly by UK and European clients who tend to rely on relationship banking and do not shop around for the best deal like their US counterparts.

First, foreign exchange transactions offer many excellent opportunities for banks to earn extra revenue. For example, a US pension fund as a customer wishing to purchase securities on the Frankfurt Stock Exchange has to transmit cash through its global custodian to a sub-custodian who then purchases D-Marks. Some custodians, such as Barclays, execute all foreign exchange orders through their own dealing systems, although Barclays says it always seeks the best dealing rate. Still, the bank will earn a turn on the dealing spread between the bid and the offered rate, helping to cut its overall costs.

In minor currencies, particularly those in emerging markets, obtaining interest on foreign currency accounts can cause problems and only the most insistent clients are likely to get the best rates. Mr Jeremy Paulson-Ellis, chairman of Genesis Fund Management which specialises in emerging markets, says his agreements with custodians allow him to deal away from them when the rates are not the best on offer.

While awaiting settlement, the cash will sit in an account. If the client is not careful. interest may not accrue or it may not accrue at a commercial rate. The custodian bank. however, may earn a turn by putting that cash into the money markets unless the client agreement specifically

offers cash on all balances. Finally, there is what is known as "fail float". This occurs when bargains are struck but for one reason or another, the stock is not delivered and the cash is not paid. one leading US global custodian, most clients pay funds from the official settlement date, not the actual. In particularly inefficient markets, banks may have free use of client funds for days, even weeks, and the client earns no return.

Indeed, says Mr Richard Foster, a partner in Booz Allen, a smoothly running clearing, settlement and payments system is not necessarily profitable for banks. "Thirty per cent of reve-

Company	Fee income a of average t 1990		Fee Income a of total re 1990	_
Bank of New York	1.73%			
Bankers Trust NY		2.08%	38.28%	38.31%
Chase Manhattan	2.00	2.04	40.35	37,89
	1.69	1.85	33.39	33.25
Chemical Banking Corp Citicorp	1.54	1.46	34.93	29.48
	2.77	2.70	43.84	40,51
J.P. Morgan & Co	0.92	1.06	27.79	27.46
Republic NY Corp	0.55	0.53	22.13	18.47
Bank of Boston Corp	1.81	1.58	38.25	37,24
First Chicago Continental Bank Corp	1.94	1.98	41.82	44.50
	1.26	1.55	39.51	39.96
Money centre total	1.96	1.89	38.21	35.80
leet/Norstar	2.27	2.29	38.91	34,85
KeyCorp	1.26	1.38	22.93	24.46
First Fidelity Corp	1.11	1.15	23.13	22.02
CoreStates Financial	1.76	2.50	27.19	34.09
PNC Financial Corp	1,41	1.69	30.63	31.42
Banc One Corp	2.39	2.49	33.53	31.47
National City Corp	2.15	2.35	34.13	35.65
NBD Bancorp	1.05	1.11	21.94	22.21
First Bank System Norwest Corp	1.61	1.91	31.44	30.84
NationsBank	2.50	2.63	36.27	35.89
First Union Corp	1.37	1.44	28.56	27.10
SunTrust Banks	1.38 1.76	1.75	27.31	29.92
Wachovia Corp	1.47	1.80 1.50	28.58	29.08
BankAmerica Corp	1.72	1.80	27.32	27.14
First Interstate	211	2.16	29.83 32.05	29.74 32.07
Security Pacific	1.88	2.58	33.88	41.14
Wells Fargo & Co	1.74	1.83	27.40	26.09
Super-regional total	1,71	1.88	30.29	30.89
Mellon Bank Corp	2.67	2.61	46.81	41.05
State Street Boston Corp	4,56	4.91	58.72	62.24
Mimington Trust Co	2.51	2.55	38.25	37.70
Vorthern Trust Corp	2.93	3.10	52.09	51.75
Boatmen's Bancsheres	1.42	1.52	28.14	28.64
Mercantile Bancorp (St Louis)	1.50	1.53	28.03	27.57
Fifth Third Bancorp	1.97	2.04	32.12	32.06
First of America	1.16	1.21	20.74	21.04
Marshell & listey Corp	2.59	2.98	38.32	40.99
Old Kent Financial Corp	1.18	1.24	22.27	22.37
Society Corp AmSouth Bancorp	1.50 1.44	1.40	25.72	22.27
Barnett Banks, Inc	1.35	1.61	28.55	28.70
Crestar Financial	1.26	1.42 1.55	24.82	24.86
irst American Corp	1.65	1.26	24.62 32.07	26.17 25.40
Trat Tennessee National	1.55	1.50	25.25	24.04
Ignet Banking Corp	1.47	2.03	27.05	30.68
irst Security Corp		1.48	24.48	25.72
S Bancorp	1.63	1.93	28.37	30.08
atley National	1.71	2.02	27.74	30.32
Vest One Bancorp	1.32	1.37	24.86	24.98
lancorp Hawaii	0.85	0.78	17.83	16.63
legional benk total	1_82	1.93	32.11	31.90

nues of commercial banks come from interest income. They do not have an interest in seeking more efficient cash management." For some custodians, partic-

1 Fee Income excludes tracing income and securities gains

ularly the investment banks which have a large stockbroking and market-making operation, the driving force for entering the global custody business is stock lending, said Mr Foster. Having the securities in-house in their custody department guarantees them ready access to securities needed for delivery to their own clients on the stockbroking side. And, while clients receive typically a fee equal to half a per cent of the value of the transaction, returns to the custodian can be far greater. "For the investment banks, it is securities lending that is driving them into the custody business," Mr Foster said.

Some custodians admit that stock lending is a significant source of revenue. One US bank described an agreement with a public pension fund client with more than \$9bn under management. As long as the

bank is allowed to lend the client's stock, the custodial service is free. When stock lending dries up, the fees rise to

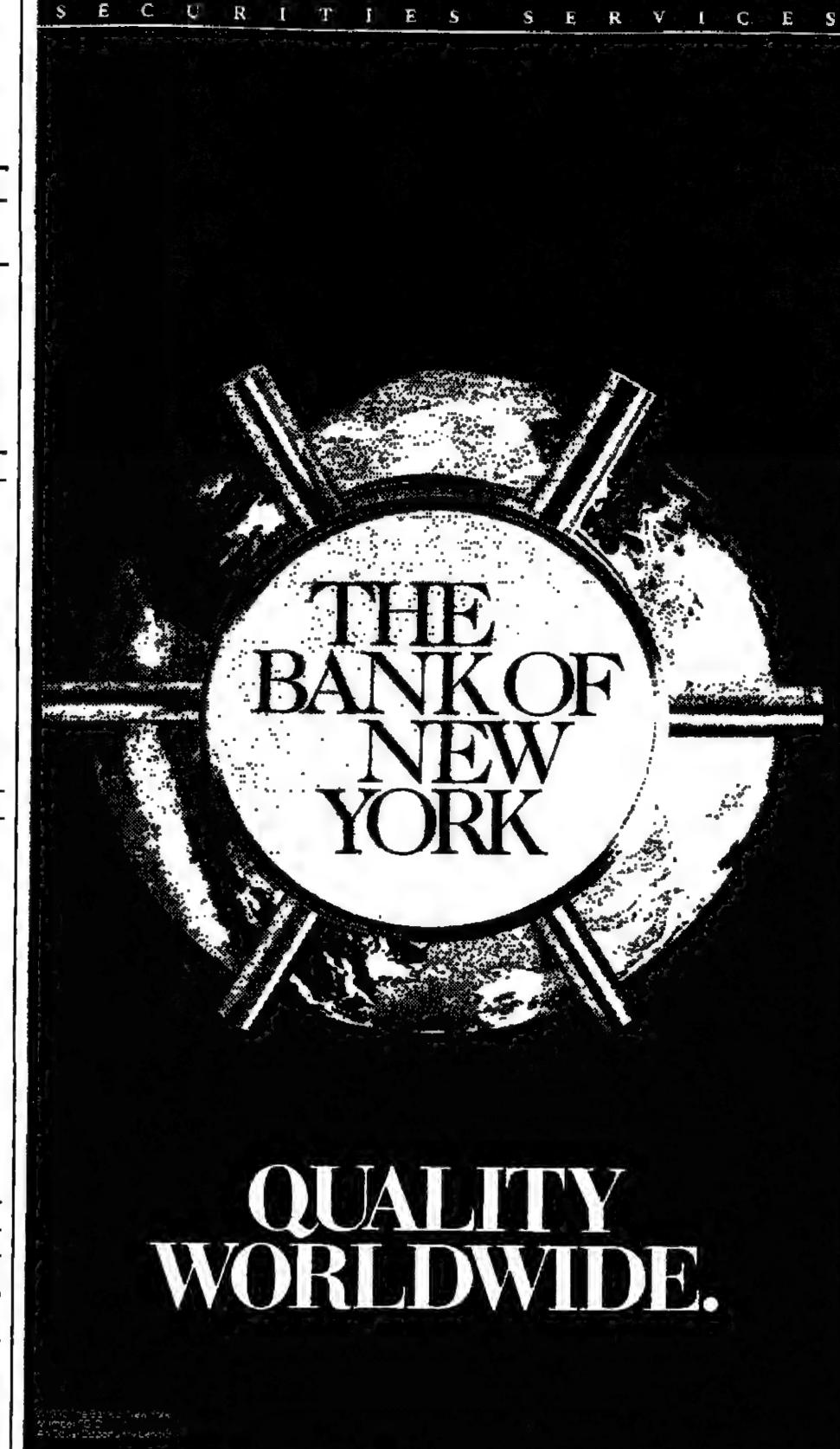
Mr John Morris, head of European investor services at Citibank, said his organisation favours the use of a simple tariff with two elements: one is a per-transaction charge and the other is one based on the value of the portfolio and covers all transactions in a given period. However, Mr Morris concedes that some customer anxieties about the lack of fee transparency do have some basis. "Sometimes fees are difficult to custodians are passed on to the customer," he said. It may not be clear to clients exactly how much they are being charged for each transaction or whether the fee they are charged bears any relation to the sub-custodians' cost.

Mr Michael Robarts, managing director at Fleming Investment Management, said he prefers an arrangement known as "contractual settlement" in which the client pays for secu-

\$400,000 to \$500,000 a year.

rities bought and receives cash for securities sold on the day of contract. If the counterparty fails to hold up the other end of the bargain, the custodian either must lend the cash to the client or is allowed to receive the benefit of unused

Sources: Company reports and Salomon Brothers Inc epiculations



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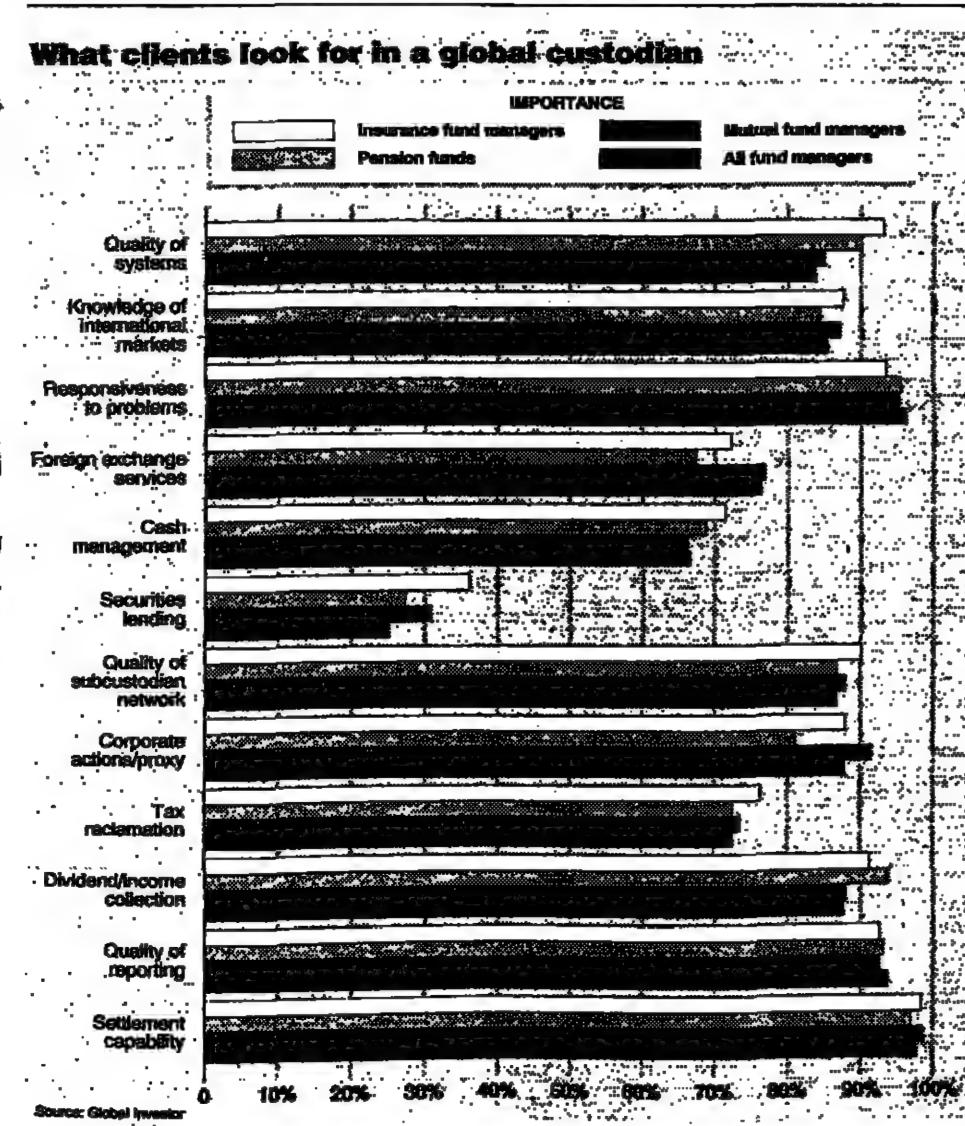
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ALTHOUGH global custodians have diversified, it is still the ability to settle trades in a timely fashlon which clients rate as the most significant aspect of the business. More than 90 per cent of all types of fund managers rank the provision of basic settlement services as crucial to their choice of custodian. Also, the quality

of Information systems and responsiveness to clients rank high. Significantly, securities lending, perhaps the most attractive aspect of the global custody business for some of the new entrants, is still a relatively insignificant

service. Fewer than 30 per cent of all clients

find it of any importance at all.

GLOBAL CUSTODY 8

David Lane on Monte Titoli's successful formula

User satisfaction

ITALY'S Monte Titoli ranks high among the world's most efficient custodians. "We are very happy with Monte Titoli's service. No problems, and no real complaints," says Paolo Azzoni, of Milan securities intermediation company. Gamba Azzoni Sim.

A similar view comes from Renzo Noris, who heads the securities service at Banca Commerciale Italiano (BCI). "Monte Titoli has proved a great benefit to banks. BCI used to have securities custody at 150 branches. But the cost was very high, in terms of space, staff and physical security. We have obtained signifi-

Paolo Basilico, of Milan's Giubergia Warburg Sim, says: "Monte Titoli works smoothly and efficiently." He adds that centralised securities custody greatly assists his company's work, and also keeps costs down. "Though Monte Titoli could be less expensive, we incurred even greater costs before, particularly with items like insurance premiums and

delivery." This seeming paragon was established in February 1978, and became operational four years later. Monte Titoli encountered difficulties at the beginning, however, and growth was held back in early years. It was only after enactment of Law 289 in June 1986, which clarified the giuridical [legal] position of securities custody, that the organisation was able to start developing its

full potential. The 1986 law defines Monte its statutory right to appoint a

Titoli, a joint stock corporation, as an institution for the centralised custody and administration of securities, Its sole objective is the provision of services aimed at rationalising securities custody and negotia-

Shareholdings in Monte Titoll are limited to a small number of permitted categories; banks, active stockbrokers, securities intermediary companies and similar organisations abroad, on the basis of reciprocity. New articles of association, approved in July, restrict the total stake held by stockbrokers to 12.5 per cent of share capital, while the limit for foreign organisations and securities intermediation companies is a total of 10 per cent for each category.

Theoretically, there could be competition, but not in practice'

No single shareholding must exceed 7 per cent, with one exception: the Bank of Italy, on which no limits are placed. indeed, the central bank has a 42.3 per cent stake in Monte Titoli's L16bn (\$11.77m) share capital, and the company's results are shown in the Bank of Italy's own financial state-

Should shares or options in new issues not be taken up. shareholders may offer them only to the Bank of Italy. That it has a central role in Monte Titoli is further underlined by

member of the board of direc-

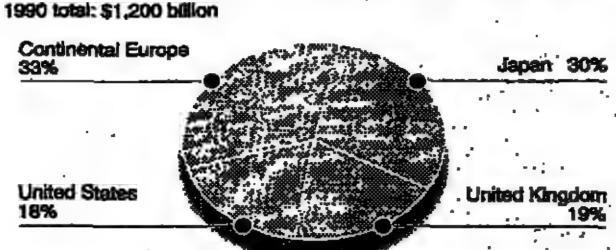
Clearly, Italy's centralised securities custody organisation is more than an ordinary joint stock corporation. "Recognition by specific legislation as a service of public utility gives Monte Titoli a special standing," says general manager

Dino Abbrescia "Theoretically, there could be competition, but not in practice." notes Mr Abbrescia. Monte Titoli's official status has brought strong support from state bodies such as its main shareholder and the companies and stock market commission Consob, and has resulted in an impregnable market position. "No newcomer could compete on cost, and it would not be able to find business."

Mr Abbrescia says that, given the practice of majority shareholders and members of control syndicates to hold their shares, the quantity of registered shares and similar securities that are deposited with the organisation is about 92 per cent of those that could be realistically centralised. Statistics show that, based on nominal value, 38 per cent of registered shares and similar instruments were held by Monte Titoli at the end of last

In the case of bearer shares and similar securities, 68 per cent of the total nominal value was deposited with Monte Titoli, while the figure for bonds was 83 per cent. Significant progress has been made for both; figures at the end of

Principal markets' cross-border assets



Source: BA & H Peer Bank Survey

per cent respectively. Monte Titoli's service is voluntary, in that owners of securities are not obliged to deposit them. Italy's system permits

1990 were 58 per cent and 74

those who want to hold their securities to do so. Indeed, last year the number of operations

Mr Abbrescia notes that this was due principally to a ruling by Consob which compelled

was L97,668bn. It now totals more than L100.000bn.

The increase in the number of Monte Titoli's users has

been such that often there are no physical exchanges in the daily settlement of transactions in the Bank of Italy's settlement rooms. From 460 at the end of 1990, the number of users (banks, stockbrokers, securities intermediation com-

However, Monte Titoli is more than a custody service. It administers the securities it holds, dealing with rights issues and dividend payments. "Rights Issues highlight the benefits that Monte Titoli offers the system," says Mr Basilico. "In the past these operations created considerable difficulties for the banks. Monte Titoli manages easily, as the recent RAS issue

Payment of dividends is another service handled. Last year this concerned 15.1bn registered and bearer securities for a total net dividend value of L1,731bn. The figures in 1990 were 14.1bn securities and L2,177bn.

The addition of securities quoted on Italy's USM will pro-

Decade of achievement

NEXT year Dino Abbrescia will celebrate 10 years at Monte Titoli, Italy's centralised securities custody organisation. He joined soon after. operations began, and has enjoyed a busy decade, helping Monte Titoli settle down into a smooth routine.

Mr Abbrescia, a 57 year-old Milanese, had filled a knapsack full of experience in securities trading and treasury operations at Monte dei Paschi di Siena and the Istituto Centrale Banche e Banchieri before taking up the challenge at Monte Titoli, where he is general manager.

"There were real headaches at the beginning. Serious giuridical [legal] issues had to be resolved and enormous user resistance overcome," says Mr Abbrescia, "Eventually, legislation enacted in 1986 settled interpretive differences about Monte Titoli's corporate nature. It is a service operation not a fiduciary company."

While unpicking the knots of Monte Titoli's legal status, Mr Abbrescia was also trying to encourage participation by securities issuers and dealers. "It needed an exhaustive and exhausting propaganda cam-

paign of seminars, conferences, debates and meetings to convince potential users to switch to this unknown service."

Mr Abbrescia notes that when he started at Monte Titoli only 40 securities issuers used the service. Now there are nearly 300. "A lot of credit should be given to Fiat and Pirelli who were early, strong supporters," he says. Equally important in the

struggle to win acceptance for Monte Titoli was the Bank of Italy, an institution well-known for its powers of moral persuasion. It firmly encouraged Italy's banks to transfer their securities custody activities to Monte Titoli. *Fewer than 50 banks were

users of Monte Titoli 10 years ago; today there are nearly 200. Their reluctance was understandable. Not only were our services unknown, but banks also faced the need to review their internal procedures and modify their data processing in order to switch to us," explains Mr Abbrescia.

Concern about costs also played a part in deterring brokers and banks from using Monte Titoli. "Small brokerage firms particularly were worried

that the costs would weigh excessively on their operations. and affect relations with clients. But the charges made by Monte Titoli have been much lower than the costs that users would otherwise have incurred," claims Mr Abbres-

rince backs

& scheme Monte Titoli's general manager says that, while all the principal problems of centralised securities custody in Italy have been resolved, new factors will always appear and changes in markets will call for modifications to the service. For some changes, Monte Titoli is already prepared. "If cash settlement were to be introduced today we could handle it tomorrow."

This raises memories of the mid-1980s, when settlement of Italian securities transactions seemed an unreachable goal for many foreign investors. "Such complaints are not made today," says Mr Abbrescia, noting that cross-border transactions are an issue under study. Maintaining regular contact with counterparts abroad, he would quickly be aware if matters were going wrong.

David Lane

Alan Cane discusses information technology

Tailor-made systems

INFORMATION technology makes modern global custody services possible at an economic price. Without efficient data transmission, processing and electronic document interchange to keep track of share certificates and dividend payments and to ensure that currencies are translated accurately, global custodians would be forced to rely on telex and manual processing; time-consuming, costly and prone to

Against this must be set the substantial investment in computers and computer software which serious players have to make; software packages running on personal computers may cost tens of thousands of dollars but for a large system running on a mainframe computer, the base price is several million dollars. Banks writing their own bespoke software will be able to create systems tailored to their exact needs and such developments are

example, is one of those developing its own system; it is using ACT's Quasar investment management package as the basis for its development. It will say little about the functions its system will support or about its progress, arguing that other custodians could gain useful insights from such information. Its reluctance to give anything away speaks vol-umes for the level of competition in the market today.

The development of computer systems for global cus-tody is following the pattern established for most financial software over the past three decades. In the beginning, banks developed their own systems either on their own or with the assistance of a software house. Some of these developments proved robust

and flexible enough to be packaged and sold to other institu-

Now a new generation of products is emerging based on "open systems" principles. Open software obeys industry standards, enabling it to run on a wide range of standard hardware: a typical advantage in open systems software is the graphical user interface (guil); computer operations are indicated on the screen by small pictures rather than by text.

There are also developments in ways of connecting customers to their custodians which are reminiscent of the vogue for treasurer's workstations a decade ago. There are three. basic approaches. The simplest is a dumb terminal which can be connected through a dial-up link to the custodian's computer. This allows portfolio inspection, but not much more.

The next stage is to download data from the custodian's system to the customer's personal computer this makes possible more elaborate reports and instructions to be transmitted. The final sophistication is a direct computer to computer connection which essentially gives the customer privileged access direct to the custodian's computer system. Typically, the customer will use a personal computer or workstation; guis make the process of interaction that much easier.

The trend among global cus-todians is towards packaged software rather than systems written in-house, reflecting both costs and the flexibility. which can be built into packages through modular and parameter-driven construction.

There are now some 40 packages which run on specific manufacturers' hardware and almost as many open systems

The leading proprietary packages include VSPS, developed by Vista Concepts of the US, Omni GS from Dyatron, Fundmaster from BIS and Paladign, written by Clarke

and Tilley in the UK. Leading open systems packages include GSM also from the Dyatron stable, Synopsis from RIMS and Belvedere GPS. developed by Belvedere Europe.

VSPS from Vista Concepts is the market leader in top-of-theline systems. It costs typically from \$1m to \$10m. It is an on-line system offering multicurrency, multilingual realtime processing. Data need only be entered once. It deals with clearing, settlement and customer reporting. Newer features include provisions for handling a variety of new financial instruments together with advanced portfolio reports and money management.

But a principal advantage, according to Vista Concepts' founder Bill Potter is its flexibility. It can be modified to suit individual customers's needs. For this reason, it has been chosen as the basis of Taurus the London Stock Exchange's much delayed settlement system. According to Mr Potter, The Vista Concept's team is on time with its share of the development work.

VSPS grew out of a project commissioned by the Banque National de Paris; now it is used by Citibank and Chase Manhattan in the US and Midland Bank in the UK.

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specializing exclusively in custody services

panies, commission houses and issuers) increased to 460 at the of certificate withdrawal from end of last year and passed the Monte Titoli rose, from 9,500 to 13,000 in the case of shares and 500 mark early this year. from 1,600 to 3,800 in the case of bonds. However, in favour of paperless work, there was a significant increase from 260 to 286 in the number of securities issuing bodies and companies that registered with Monte Titoli last year. At the same time the number of securities admitted to custody rose from 947 to 945.

> the reticent to come into line. Statistics for the face value of securities held by Monte Titoli at year-end show rapid growth. Ten years ago, Italy's centralised custody organisation held securities with a face value of L706bp. By 1987 the figure had risen to L46,516bn, and at the end of last year it

vide new volumes, and so also will Italy's privatisation process which will bring some new names to the main board.



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Wednesday December 9 1992



INSIDE

Saudi prince backs Circle K scheme

A Saudi prince yesterday emerged as the potential backer of one of three reorganisation schemes being put forward for Circle K, the bankrupt US convenience store chain. Com-monwealth Oil Relining Company of Arlington, Texas, says Prince Turki bi Fahd bin Jalawi Al Saud has made a "firm written commitment" to contribute \$360m of equity capital towards its reorganisation plan for Circle K. Page 17

Still shouting in Chicago



Computer trading may be where the future lies for financial markets in general, but North America's largest futures exchanges are all planning to expand their trading floors in 1993, sticking loyally with the open outcry system. The Chicago Board of Trade, the world's largest futures exchange, joined the expansion boom this month with a proposal to build a \$150m trading facility. Page 17

Private train flops in Paris

A driverless train connecting Paris's Orly airport with the nearest suburban rail line has flopped barely more than a year after starting up. The line, built for FFr1.75bn (\$327m) by Matra, the transport to defence electronics group, was Paris's first experiment with privately run public transport. It is to go into voluntary liquidation and be taken over by RATP. the state-owned Parisian public transport board. Page 16

Shipbuliders face bright future

100 slip from a year's high

European shipbuilders have been hit hard this Share orice (Krone) year by a weak dollar, falling tanker rates and voiatility in European financial markets. Kvaerner, Europe's largest shipbuilder and the fifth-largest in the world, has seen its free shares

has seen its free shares

Source Fr Courses 2000 of NKr229 in January to a low of NKr117 in early September. Analysts believe the group is in a good position to benefit from an expected turnround in the sector. Back Page

Gummer tries to calm Caribbean Mr John Gummer, Britain's farm minister,

made a trip through the Caribbean at the weekend to mollity concern over proposals by the UK for the marketing of bananas when the single European market is created next month. In the wake of Mr Gummer's visit, in which he met representatives of the Belize, Jamaica and Windward Islands banana industries in separate meetings over two days, reaction was mixed, Page 22

Market Statistics

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Alitalia set to buy 35% of Malev

OTHE FINANCIAL TIMES LIMITED 1992

By Nicholas Denton in Budapest

HUNGARIAN government officials indicated yesterday that Alitalia, the Italian state airline. was poised to acquire a minority stake in Maley, the Hungarian carrier, against stiff competition from Lufthansa of Germany.

A formal announcement of the sale is expected next week. although some observers have not excluded the possibility of a last-minute push by Lufthansa, which has been keen to extend its growing east European coverage by forging a partnership with Hungary's flag carrier.

Officials in Budapest said the winning bidder will take a shareholding of around 35 per cent in Maley, at a cost of more than \$60m. An Air France-led consortium earlier this year paid \$60m for 40 per cent of CSA, the Czechoslovak carrier.

Negotiations on the Maley deal have been taking place for some time. However, the airline indicated a solution was imminent by announcing last week that it would hold a shareholders' meeting on January 8 to approve a capital increase linked to its privatisation.

If Alitalia emerges as the successful bidder, it will have overcome opposition from influential officials within the Budapest government, who felt that a link-up with Lufthansa would have provided a more secure future for the Hungarian carrier. Maley, which is seen as one of the better-managed and more efficient of the former Communist-dominated east European airlines, has been seeking a European partner to help it compete on new international services using western aircraft.

In May, British Airways, Lufthansa and KLM Royal Dutch Airlines were identified as leading contenders. British Airways said it was not seriously interested; and KLM later approunced it was dropping out of the bidding. The success of Alitalia's bid

appears to have been based on superior financial terms to Lufthansa's proposal. Although smaller than the German airline. Alitalia has been striving to improve quality and profitability in recent years. The deal would mark its first equity stake in a foreign airline.

Maley's pre-tax profits rose 57 per cent in 1991 to Ft2.09bn (\$25m), in spite of the worldwide recession in the airline business. It needs capital to replaceits largely Soviet-made fleet with more modern western aircraft.

Tending to Airbus's clipped wings

Paul Betts on the likely damage caused by Northwest's cancelled order

he European Airbus consortium has just suffered its worst setback in its 20year history with the largest cancellation of new aircraft orders from its single biggest customer. The decision of Northwest Airlines of the US to cancel orders for 74 Airbus aircraft worth \$3.5bn was said yesterday to have

London aerospace analyst. Northwest, with 140 Airbus aircraft orders of which 34 have already been delivered, was the largest customer of Airbus, GPA the Irish leasing company has 123 orders, Lufthansa of Germany, 111 orders and Air France has 67

come as a "bombshell" by one

The blow for Airbus is more painful because it involves the European consortium's latest jet. the A340 long-range widebody aircraft due to enter service next year. Northwest, one of the A340 launch customers, cancelled all its 24 orders for the new Airbus as well as cancelling orders for 50 smaller A320 twin-engine air-

The full scale of recession in the airline industry has been brought home to Airbus. A month ago, Mr Jean Pierson, Airbus chief executive, reached an agreement with GPA over the rescheduling of the deliveries of 82 Airbus aircraft between now and 2003.

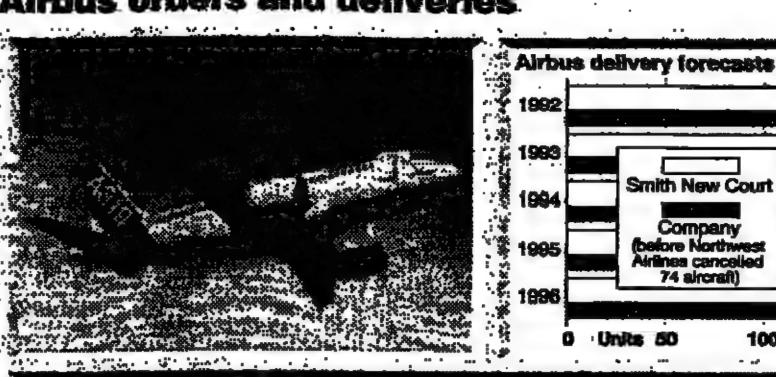
The consortium has also faced cancellations and order delays from other troubled airlines this year and there are likely to be more in coming months, although none on the scale of Northwest During a recent record-break-

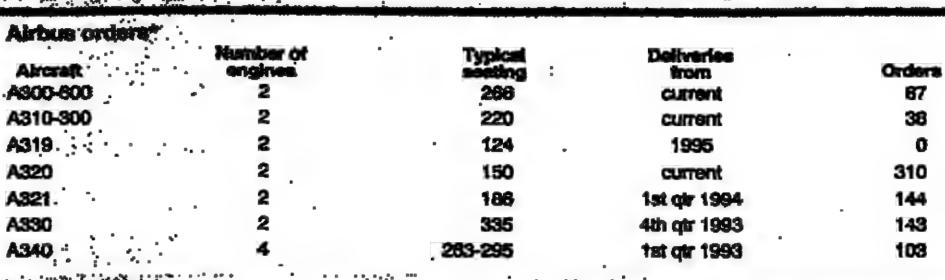
ing 15 hour and 21 minute nonstop A340 test flight between Frankfurt and Honolulu, Mr Pierson admitted that "nobody knows when the industry pick-up will happen". He said the civil aerospace industry would remain under intense pressure well into next year and probably into 1994. Industry analysts are even



Jean Pierson: 'Nobody knows when the pick-up will happen'

Airbus orders and deliveries





kinson, of the Shearson Lehman investment group, said yesterday he did not expect a general recovery in the rate of aircraft produc-

tion until 1996.

The industry is still suffering from overcapacity. During the past two years, the three main manufacturers - Boeing and McDonnell Douglas in the US and Airbus in Europe - have added

started rolling off the assembly line. Last month, it said it did not expect to produce more than 180 aircraft in 1995. It will now have to trim production targets even

A340, the A330 and the A321

This is bound to have a big impact on all four Airbus industrial partners - British Aerospace (20 per cent), Aérospatiale

'This is a bitter blow... we are concerned about the effect the Northwest decision will have on jobs'

about 10 per cent in new passenger seat capacity at a time when airline traffic was slowing. In 1991 airline traffic fell 3 per cent. the first fall since the second

The rate of new aircraft production will have to be cut by 25 per cent to 30 per cent during the next three to four years to bring capacity in line with demand. This will involve a cut in deliveries by the big three manufacturers from more than 800 new aircraft deliveries both in 1991 and 1992 to around 550 annual deliveries during the next four

implication of the Northwest cancellations will be a further scaling back of its production plans. Airbus has already announced a cut in the rate of future production. It had originally expected to see production rise from 160 air-

craft this year to 220 aircraft in

1995 as new aircraft including the

For Airbus, the immediate

of France (37.9 per cent), Deutsche Aerospace (37.9 per cent) and Casa of Spatn (4.2 per cent). BAe, which makes all wings for

Airbus aircraft, has already scaled back wing production at its Chester facility to reflect the retrenchment in Airbus output. The Northwest cancellation alone, according to Mr Hodgkinson, could cost BAe around £100m (\$160m) in lost turnover as each A320 wing set accounts for about £5m of turnover and each larger A340 wing set for around

The cuts in future production are expected to put additional pressure on jobs in the European aerospace industry. In the UK alone, Airbus supports about 30,000 jobs at some 300 companies, as well as about 7,000 jobs at BAe itself. "This is a bitter blow, coming on top of the massive tob losses in aerospace: we are concerned about the effect the Northwest decision will have

on jobs," said Mr John Weakley

of the Amalgamated Engineering

and Electrical Union.

The continuing recession in the airline industry is also likely to delay Airbus plans to develop new products. Airbus had hoped to launch at the end of this year a programme to build a smaller 125-seat derivative of the 150-seat A320 twin-engine aircraft.

Mr Pierson recently said he did not expect the programme to be launched before next March. Now airlines in the depressed market are unlikely to commit themselves to buy the new aircraft. The Northwest cancellation, as

well as other order deferrals and cancellations, is likely to force Airbus to make hefty provisions against future aircraft delivery risks when it closes its 1992 accounts in February. Mr Pierson expects Airbus to

show an operating surplus in 1992 for the second year running of around £220m. But he has also warned that the consortium's net profits would depend on the amount of provisions Airbus will have to make to cover financial

Mr Pierson is convinced the market will eventually rebound. and Airbus will be in a strong position to take advantage of the recovery with its broad family of technologically advanced airlin-

But he recently remarked: "As surveyed the battered and beaten state of the airline business, I could not help but recall one of Murphy's Laws of Life: 'You can't win ... you can't break even ... and you can't

Skandia may bid for part of Hafnia

By Christopher Brown-Humes in Stockholm

SKANDIA, the leading Swedish insurance group, has emerged as a potential bidder for the core life and non-life operations of Hafnia, the troubled Danish insurer which suspended payments to creditors in August. The move would be a significant step towards the group's

per cent market share in Scandinavia. It has a comparatively weak presence in Denmark compared with its operations in Sweden

ambition of achieving a 20 to 25

and Norway. The move also renews the group's interest in Hafnia after its bld to take over the entire group was rebuffed in April. Mr Biorn Wolrath, Skandia president, said prices had not

been discussed as the group was not vet involved in active negoti-Analysts value Hafnia's domestic non-life and life businesses at

a minimum of DKr2bn (\$328m). The sale of Hafnia's operations is being handled by the US securities house Morgan Stanley. It is understood that two other

groups are also interested in Hafnia's Danish operations, including Codan, the Danish insurer which is majority-owned by Sun Alliance of the UK. Acquiring Hafnia's non-life business would make Skandia

the biggest non-life insurer in Denmark, with a 20 per cent market share. Its life share would increase

from 1 per cent to about 10 per At the same time, the group

might acquire Hafnia's 14 per cent Skandia stake, assisting it in its wider ambition of clearing up the uncertainty surrounding its shareholder base. Some 50 per cent of the group's shares are in the hands of will-

ing sellers, including a 28 per cent stake held by Uni Storebrand group, the Norwegian insurer. Skandia also said it was discassing the sale of Panfinancial.

its UK political risk and credit insurance business, with three continental European insurance The group is currently reshaping its strategy by sharply

limiting its exposure to reinsurance and concentrating more heavily on direct non-life and life insurance on the Nordic home market as well as in the UK. US continental Eurand

Sturge Holdings plans move to corporate capital at Lloyd's

By Richard Lapper in London

STURGE HOLDINGS is planning an insurance venture to take advantage of the possible move towards corporate capital at the Lloyd's of London insurance mar-

News of the development emerged yesterday when Sturge, the biggest group of agencies at Lloyd's, reported a 12.5 per cent cut in pre-tax profits to £7.75m (\$11.7m) for the year to September 30. The dividend was reduced by 50 per cent to 8.25p.

The venture, which would initially have between £25m and £50m in capital, could either be a fully-fledged insurance company regulated by the Department of Trade and Industry or a new form of insurance organisation operating under the Lloyd's

In either case the venture, backed by outside capital, could reinsure the 24 Lloyd's syndicates managed by Sturge. Mr Peter Davis, deputy chair-

man and finance director, said that Sturge had discussed the idea with the DTI and Lloyd's although no final decision had been taken. "It is still some way off." he added.

Sturge was particularly interested in persuading pension fund Davis.

and other institutional investors to back its venture, said Mr Lloyd's is still investigating the

practicality of attracting corporate capital to the market in the wake of the recommendations of the Rowland task force earlier The group's fall in profits was

Profit commissions fell from £14.08m to £5.91m and agency

fees fell to £14.58m from £16.31m. partially offset by a rise in fees sources to £3.03m, from £242,000 to £9.64m from £8.49m.

growth. Overall

the agency), reflecting a poor performance in the 1989 underwriting year at Lloyd's, where results are reported three years in

The decline in income was only and commissions from other and a better performance by the group's Wise Speke stockbroking subsidiary where profits were up Cost cutting and tighter man-

agement held back expenses turnover of £33.16m

(against £39.12m) exceeded expenses of £29.02m (down from £35.23m) by £4.14m. Net interest and other income receivable fell to £3.61m from £4.99m.

Warburg to lead third BT offer

largely due to a cut in profit com-

mission (paid by syndicates to

By Roland Rudd in London

SG WARBURG was yesterday appointed to act as global co-orlead broker in the UK government's third sale of shares in British Telecommunications.

The government is expected to sell most, if not all, of its 22 per cent BT shareholding, which is worth £5.4bn at last night's closing price of 401p. However, ministers are expected to make their final decision

on the size of the sale as late as

possible to ensure that demand

exceeds supply. The BT share sale is part of the government's plans to raise 25.5bn (\$8.36bn) from privatisation over the coming year and a similar sum in 1994-95. The structure of the last BT sale will be used as a springboard for the to improve the way they work."

next sale, involving offers to both retail and institutional investors. Retail investors will be offered some inducement to buy shares. dinator, financial adviser and Last time they received a 45p discount on the 350p price paid by

institutions. The Treasury plans to develop last year's use of "share shops" to promote its goal of wider share ownership. Chean dealing rates were available to investors registering with a share shop in the last sale.

It may increase the number of preferred retailers to issue the third tranche of BT shares. Last year's BT sale involved just eight share shops, which excluded smaller share service companies which specialise in selling shares to the public. A government official said: "We need to work up further our ideas on share shops

The role of regional lead managers in Europe may also change. While no decision has yet been taken, the government may feel it unnecessary to appoint formal lead managers throughout continental Europe.

SG Warburg may decide it has sufficient access to the main investors and therefore take a more direct role in selling the shares to big institutions. Ministers expect it will be

easier to market the shares this time because the regulatory and political environment is more stable. The last sale was dogged by uncertainty before a general election and a price review by Oftel. the regulatory body.

The government has already sold two tranches of shares in BT. The first was in 1984 and the second was last December. Lex. Page 14

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F. OUR BANK) I SERVICE

Rival bidders take over Spanish property group

By Peter Bruce in Madrid

A BIDDING war for El Encinar de los Reyes, a medium-sized Spanish property group, ended yesterday when two rival bidders, Banco Bilbao Vizcaya, the large commercial bank, and the Olazabal family which controls El Encinar, agreed to join forces to take over the com-

groups said they planned to make a bid, worth Pta170bn (\$1.5bn), offering Pta2,900 a share, for the whole of El Encinar. Mr Jaime Olazabal would become president and Mr Santiago Bergareche, president of Metrovacesa, BBV's property arm, would The fight for control of El Encinar, which owns a former

US Air Force housing base outside Madrid, had split Madrid's investment community since October, when the Olazabals. who control 35 per cent of the target company, launched a formal takeover offer, at Pta2.500 a share, for a further 14 per cent. That would have given them control as El Encinar owns 3 per cent of its own equity as treasury stock.

The BBV, which had built up a stake of 24.9 per cent of El Encinar earlier this year, countered with an unusual promise that it would improve on the Olazabal offer - if shareholders ignored it - after it had expired. It did not say how much it would pay, nor The Olazabals increased their offer to Pta2,750 and com-

plained to the courts that the BBV was flouting takeover rules by not bidding directly against it. Challenged to pronounce on the affair, the stock market commission said the BBV had acted correctly.

That ruling has probably established a precedent for other takeover battles in Spain, but the affair has made the authorities uncomfortable and the commission will have been relieved at yesterday's decision

to make a joint bid. El Encinar reported profits last year of Ptal98m on assets worth Pta13.3bn. The buyers want to refurbish the former US base housing near Madrid, which has been paying low. controlled rents since the American forces first arrived in Spain in the late 1950s.

Two non-executive directors to be appointed to Amstrad board

By Paul Taylor in London

AMSTRAD, the UK consumer electronics group whose shareholders meet tomorrow to decide the fate of Mr Alan Sugar's 30p-a-share buy-out bid, has bowed to pressure from investors and is to appoint two non-executive directors to its board.

Yesterday, as the deadline for receipt of proxies for the group's extraordinary meeting passed. Amstrad acknowledged that Mr Sugar's £113m (\$180m) bid to take the company private again looks "increasingly likely" to be defeated.

In a tacit admission Mr Sugar's proposals have met strong opposition, the company said it has asked Pro Ned, the independent organisation which promotes the role of non-executives, to draw up a shortlist of potential candidates for the Amstrad board

An advertisement in the Financial Times tomorrow will invite applications. The advertisement says the first applicant "should have sufficiently

senior experience to be able to there was no "independent appraise all financial aspects of the company".

The advertisement says the second applicant, "should be an industrialist with a consumer product manufacturing background, or be highly experienced in the distribution of consumer products to trade customers".

An unusual accompanying statement says that although the advertisement has been placed by Amstrad, "the board wish to demonstrate their independence in the appointment of two non-executive directors," and have therefore entrusted the selection of a

short list to Pro Ned. Mr Sugar, Amstrad's chairman and founder who has a personal 35 per cent stake in the group, promised at the group's annual meeting last month that if his bid failed he would appoint new non-execu-

Since Mr Sugar made his buy-back offer, institutional investors in particular have been extremely critical that

voice" on the Amstrad board looking after minority shareholders' interests.

Mr Tim Holland-Bosworth, a director at Kleinwort Benson, Amstrad's financial adviser acknowledged yesterday that "a number of institutional shareholders had made the point" that they wanted to see non-executive directors back on the six-member Amstrad board. Amstrad had two nonexecutive directors after it became a public company in 1980, but both have since

> Institutional investors, led by Prudential and Postel, have cited the lack of non-executive directors and the absence of financial forecasts and other information on Amstrad's prospects, as reasons for opposing

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Amstrad's share price, which dropped 4p to 24p on Monday tive directors to the board. after it became clear that the buy-back plan faced increasingly strong opposition, gained 1p to close at 25p yester-

Video sales help Carlton to a 15% advance

By Angus Foster in London

CARLTON Communications, the television and film services company, yesterday announced a 15 per cent profits increase, helped by strong sales of video cassettes, especially in the US.

Pre-tax profits rose to £102.3m (\$159.5m) from £88.3m in the year to September 30. Mr Michael Green. chairman, described the performance as "good progress in

a tough year". The results were in line with market expectations, although the shares slipped 2p to 717p on light profit-taking. Analysts expect Carlton, which takes over the London weekday TV franchise from Thames on January 1, to make profits

of about £128m this year. Video and audio production and distribution lifted profits 49.8 per cent to £46.6m. Video cassette production for customers like Walt Disney and Warner grew strongly, in line with the US "sell through" market. Pickwick, the European video and budget music distributor acquired in February, contributed £1m of operating profit on £42m of sales, although this did not include the busy Christmas season.

The television and film services division was affected by high US dollar exchange rates at its Technicolor processing subsidiary. Profits fell to £25.1m from £28.4m

Video and sound products, which includes specialist production equipment sales to the TV industry, continued to recover and increased profits 39 per cent to £19.4m.

Cariton's net cash balance declined to £108.5m from £162.6m, due to increased working capital needs and investments. Net interest earnings fell to £10.5m from £17.9m. Profits from associates, mainly a 20 per cent stake in Central Independent TV. increased to £6.69m from £2.8m

Lex. Page 14

Parisian transport experiment fails

PARIS' first experiment with privately-run public transport flopped vesterday when the backers of Orlyval, a driverless automatic train, admitted they would have to write off FFr1bn (\$187m) of debts and hand control of the lossmaking line to

the state. The line, built for FFr1.75bn by Matra, the transport-todefence electronics group, is to go into voluntary liquidation and be taken over and run by RATP, the state-owned Paris public transport board. because it has attracted far fewer passengers than bud-

Orlyval, opened in October 1991, links Orly airport with the nearest suburban rail line and is an important showcase for Matra's véhicule automatique léger. It is Matra's second Val in France, after the publicly-run automatic metro in the

northern city of Lille. The private group which owns Orlyval is 34.7 per cent held by a consortium of banks, headed by Banque Indosuez, with 26.7 per cent held by Air Inter, the domestic airline, 18 per cent by Lyonnais des Eaux-Dumez, the construction and

water distribution group, 17.3 per cent by Matra and 3.3 per cent by the RATP.

An Indosuez spokesman said yesterday that the group owed FFr1.58bn to its backers, of which the banks and the other shareholders had agreed to abandon two thirds. Orlyval will be able to pay back FFr250m before liquidation. while the RATP is prepared to pay back another FFr330m from future operating profits, said the Indosuez offi-

Orlyval carries 5,000 passengers per day, or 1.5m annually.

gers per year its backers were expecting. As a result, it made a FFr58.1m loss in its first year. It cut fares and launched a promotional campaign last summer to try to attract more passengers but to no avail. • AXA, the French insurer said that group profit will be below FFr2bn in 1992, Reuter

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reports from Paris. Last year the group's net group profit fell 28 per cent to FFr2.4bn.

The company confirmed remarks made by Mr Claude Bebear, the chairman, that profits would be down from 1991 levels.

WestLB

continues

Dumez looks for refinancing

THE downturn in the French construction industry has forced Dumez, the building division of the Lyonnaise des Eaux Dumez industrial group. to seek FFr460m (\$86m) in refinancing.

Dumez confirmed that it had been forced to ask Lyonnaise. its parent company, for FFr460m in new capital. It also announced plans to streamline its activities by withdrawing from peripheral businesses and concentrating on its core construction interests.

This rationalisation plan will be accompanied by more than 500 job losses among its 30,000

RODAMCO, the largest

property investment company

in the Netherlands, yesterday

blamed the decline of sterling

and a fall in property valua-

tions for a widening of its net

total investment losses to

Fl 405m (\$230m) in the first

nine months of 1992-93. This

compared with a loss of Fl 66m

over the same period of 1991-92.

of the Robeco investment

The company, which is part

By Ronald van de Kroi

in Amsterdam

employees, the first at Dumez Dumez before the merger, was for over a century. These cuts are likely to be implemented next March, but a preliminary plan is expected to be presented to the workforce next

Dumez has performed poorly since its merger two years ago with Lyonnaise des Eaux, one of France's largest industrial

The Lyonnaise group's construction interests produced a loss of FFr38m in the first half of this year, thereby depressing the overall increase in group net profits to just 2 per cent to FFr711m.

Rodamco loss widens to Fl 405m

dend income and which help

determine the dividend to

shareholders - rose to Fl 319m

in March-November 1992 from

However, indirect results -

which include currency move-

ments and property valuations

- fell into a loss of Fl 737m

from a loss of F1386m a year

In local currencies, property

values were written down by

Fl 433m, slightly less than the

Fl 441m write-down seen in the

same period of 1991-92. At the

Fl 300m a year earlier.

Earlier this year, Mr Jean-

ousted as deputy chairman of expansion Lyonnaise.

director who previously worked for Bouygues, France's biggest building group. • BTP, a French bank specialising in building and property, has disclosed losses of FFr220m

for the first half of the year. The bank has recently been: forced to refinance in a FFr1.5bn package. Mr Jacques Bayle, chairman, said it had called a halt to all new property development projects and would be shedding 145 of its

In Britain, which accounts

for roughly one-fifth of Rodam-

co's property portfolio, the

value of properties was low-

ered by 16.6 per cent, nearly

double the 8.6 per cent rate for

continental Europe and well

ahead of the 3.5 per cent for

Sterling's depreciation was

the main reason why currency.

movements made a negative

Fl 300m contribution to indi-

rect investment results. A year

earlier, currency movements

The company said that the

1992-93 dividend was likely to

North America.

had added F1 49m.

be unchanged...

668 employees in an attempt to Paul Parayre, who headed return to profit.

By David Waller in Frankfurt He has been replaced by Mr Jean-Louis Brault, a Lyonnaise WESTDEUTSCHE Landesbank

Girozentrale, the state bank of North-Rhine Westphalia, is expanding its influence in the German public sector banking arena with the acquisition of a stake in Landesbank Rheinland-Pfalz, the state bank of its closest southern neighbour.

WestLB and Sudwestdeutsche Landesbank (SüdwestLB), its Baden-Würtemmberg associate, will pay DM750m (\$471.6m) for a 50 per cent stake in the Mainz-based bank. WestLB will own 37.5 per cent and SüdwestLB 12.5 per cent.

The move is part of a complex restructuring of German public sector banking, with WestLB - one of Germany's biggest banks - playing a leading role. It is in negotiations to take control of a majority stake in the Kielbased Landesbank Schleswig-Holstein, after winning the state government's approval for the move against a rival bid from the Hanover-based Norddeutsche Landesbank, the Landesbank for Lower Saxony.

WestLB, which is expected to report operating profits of about DM1bn this year, takes an active approach to its investment activities. It is believed to have spent DM1.6bn on industrial acquisitions since 1991.

group, said that direct investbeginning of the current fiscal year, Rodamco had property ment results - which comprise rental, interest and diviassets of F17.7bn. £22,000,000 *** Alford *** **NORTHERN ROCK**

Subordinated Floating Rate Notes due 2002 In accordance with the provisions of the Notes, notice is hereby

BUILDING SOCIETY

given that for the Interest Period from December 7, 1992 to June 7. 1993 the Notes will carry an interest Rate of 8,2375% per annum. The interest payable on the relevant interest payment date, June 7, 1993 will be £2,053.73 per £50,000 Note and £20,537.33 per £500,000 Note.

By: The Chase Manhattan Bank, N.A. London, Agent Bank December 9, 1992



SBAB

Statens Bostadsfinansieringsaktiebolag, SBAB (Incorporated with limited liability in the (Sugalors of Sweden) U.S. \$200,000,000

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 8th March, 1993 has been fixed at 3.875% per annum. The interest accruing for such three month period will be U.S. \$96.88 per U.S. \$10,000 Note and U.S. \$968.75 per U.S. \$100,000 Note against presentation of Coupon Number 3.

Floating Rate Notes due 1995

Union Bank of Switzerland London Branch Agent Bank

4th December, 1992



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TO THE WARRANT LIOLDERS OF MITSUBISHI OIL COMPANY, LIMITED

U.S. \$250,000,000 4% percent. Notes due 1993 with Warrants (the "1989 Warrants")

U.S. \$250,000,000 2% percent. Notes due 1994 with Warrants (the "1990 Warrants") U.S. \$150,000,000 4 per cent. Notes due 1995 with Warrants (the "1991 Warrants")

U.S. \$230,000,000 2% percent. Notes due 1996

with Warrants (the "1992 Warrants") NOTICE OF ADJUSTMENTS OF SUBSCRIPTION PRICES

Pursuant to Clause 4 of the Instrument dated 9th February, 1989 relating to the 1989 Warrants (the "1989 Instrument"), Clause 4 of the Instrument dated 15th March, 1990 relating to the 1990 Warrants. (the "1990 histrument"), Clause 4 of the Instrument dated 18th July. 1991 relating to the 1991 Warrants (the "1991 Instrument") and Clause 4 of the Instrument dated 23rd July, 1992 (the "1992. Instrument"), notice is hereby given that Mitsubishi Oil Company, Limited has adjusted the Subscription Prices (at which Shares are issuable upon exercise of the 1989, 1990, 1991 and 1992 Warrants) due to the issuance on 3rd December, 1992 of its Swiss Francs 300,000,000 2% per cent. Notes due 1996 with Warrants, the subscription price of which is less than the current market price per Share (as defined in the 1989, 1990, 1991 and 1992 Instruments). The Subscription Prices for the 1989, 1990, 1991 and 1992 Warrants have been adjusted, in accordance with Condition 7 of the 1989, 1990, 1991 and 1992 Warmints, respectively, from Yen 1,416.70 per Share to Yen 1,415.20 per Share for the 1989 Warrants, from Yen 1,348.00 per Share to Yen 1,346.50 per Share for the 1990 Warrants, from Yen 938.00 per Share to Yen 936.80 per Share for the 1991 Warrants and from Yen 845.00 per Share to Yen 843.90 per Share for the 1992 Warrants. The adjustments of the Subscription Prices took effect as of 3rd December, 1992 for the 1989 and 1990 Warrants and as of 4th

GAZ DE FRANCE CAD 150,000.000 11 3/4 % BONDS DUE **FEBRUARY 22, 1995** Notice is hereby given.

that in accordance with the Terms and Conditions of the Bonds paragraph " Purchase and Redemption", the Issuer has elected to redeem anticipatively all of the outstanding Bonds on February 22, 1993 at a redemption price equal to 101 % of the principal amount thereof.

for payment together with coupons due February 22, 1994 and followings attached. 1993 the Bonds will no interest thereon shall cease to accrue.

SOGENAL GROUP Luxembourg



has been formed through the merger of Avesta AB with the stainless steel divisions of British Steel plc.

The undersigned acted as joint financial advisers to Avesta.



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D-4000 Dusseldorf 1 Fa- (2 11) 826 6113

The Bonds should be presented and surrendered

On and after February 22, longer be outstanding and The Principal Paying Agent

SOCIETE GENERALE 15, Avenue Emile Reuter S.G. WARBURG & CO. LTD.

December, 1992 for the 1991 and 1992 Warrants. The Mitsubishi Bank, Limited as Principal Paying Agent Mitsubishi Oil Company, Limited

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

Saudi royal steps | Fatigued carrier files details of its new flight plan in on Circle K reorganisation

By Nikki Tait in New York

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21. 1. Aug. 11.

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A SAUDI prince yesterday emerged as the potential backer of one of three reorganisation schemes being put forward for Circle K, the bankrupt US convenience store

Commonwealth Oil Refining Company, an oil company based in Arlington, Texas, said that it had received a "firm written commitment" from Prince Turki bi Fahd bin Jalawi Al Saud to provide \$360m of equity capital towards the financing of a Commonwealth Oil-sponsored plan reorganisation for

Commonwealth, which materialised as a potential investor in Circle K in October, added that it would now file with the bankruptcy court an amended proposed plan of reorganisation for the company.

It claims that this will offer Circle K's senior creditors around \$350m in cash slightly more than the company's own reorganisation pro-

Under the amended plan. unsecured creditors would also receive cash, while Commonwealth would emerge as the biggest single shareholder in the reorganised company.

The situation at the bankrupt retailer - which is based

in Phoenix, Arizona, and continues to operate over 3,000 stores - has been mired in up.

controversy for some months. The company has put forward its own reorganisation plan, which essentially involves selling Circle K for \$399.5m to CK Acquisitions Corp, an international investor group lead by Bahrain-based

Investcorp already holds various retail-related interests in the US, including Saks Fifth Avenue, the department store

Circle K bondholders oppose the deal, however, and have put forward their own reorganisation scheme.

Yesterday, Mr Duncan Darrow, a lawyer with Anderson Kill Olick & Oshinsky, which is acting for the bondholders committee, claimed the bondholders were trying to find a way to join in a fully agreed deal and obtain "a reasonable

He suggested that the Commonwealth plan provided bondholders with a "meaningful recovery", although a spokesman for the law firm added that the bondholders were still pushing their own reorganisation scheme.

There was no immediate response from Circle K to the apparent changes in the Commonwealth plan.

After months of negotiations TWA hopes to be taken off the critical list shortly, writes Nikki Tait

ARL ICAHN, one-time corporate raider and owner of Trans World Airlines, has said he does not want to be remembered as the man who killed the carrier which Howard Hughes built

On Monday, as he negotiated the final elements of a restructuring deal with TWA's unions, creditors, and the US federal pensions agency, the New York-born financier went some way to avoiding that

The proposed reorganisation, which includes a short-term loan to the airline, should take TWA off the critical list this Whether it moves the carrier

 in bankruptcy since January and loss-making - out of the casualty ward in the longer term, is more debatable. TWA's problems pre-date Mr icahn's involvement and

throughout the early 1980s losses from its troubled domestic routes outweighed profitable international operations. Indeed, by 1986, when Mr Icahn entered upon the scene

in share-punting style and

acquired a 47 per cent block of

shares. TWA was already under takeover threat. At this point, however, the unions decided Mr Icahn was the best alternative on offer. and offered him large wage

concessions. This encouraged the financier to negotiate his way to management control.

Mr Icahn's ownership was then cemented in 1988, when TWA was taken private via a leveraged buy-out financed by

Drexel Burnham Lambert, the now-defunct investment bank. From Mr Icahn's perspective, it was a masterly deal, giving him 90 per cent of the airline's shares and \$469m in cash more than he paid for his original equity stake. Unfortunately, the transaction also added hundreds of millions of dollars of debt to TWA's balance sheet.

These heavy borrowings then compounded the difficult operating conditions in the airline industry during the 1990s. TWA suffered an operating loss of \$162.3m in 1990 and another \$353.5m deficit in 1991. Interest charges consumed another \$302.8m and \$287m in the same years.

For a while, the carrier struggled on, thanks to asset sales. Most notably, it sold off its London Heathrow routes to American Airlines in 1991 Asset sale proceeds of \$681.7m that year allowed it post a small net profit of \$48.3m. But in early 1992, TWA finally filed for protection from its creditors under Chapter 11 of the US Bankruotcy Code.

Since the bankruptcy filing, pragmatism has been the order of the day, with all parties realising that the carrier could not survive with its existing balance sheet.

Given TWA's ageing fleet and the current glut of aircraft internationally, there was a strong incentive to restructure the carrier and hope the airline industry revives, rather than simply liquidate remaining assets. Creditors, unions and management have spent the past year negotiating with this



Carl Icahn: likely to lose equity and management role in TWA

The complicating factor has been TWA's pension plans. In the US. unlike the UK, there is a federal agency, the Pension Benefit Guaranty Corporation. which guarantees payment of basic pension benefits.

he PGBC claims the TWA pension plans are underfunded by more than \$1bn and it is not anxious to pick up the bill. Its bargaining counter has been the notion of "joint and several liability" - that is, that Mr Icahn's level of ownership in TWA renders his other (more prosperous) private business interests responsible for minimum funding contributions to the plans. This extremely important

legal nuance seems to have surprised even the wily Mr

So who gets and who gives what in the reorganisation

 TWA's unions, thoroughly disenchanted with the Icahn management, have offered a 15 per cent wage benefit concession package, estimated to be worth \$660m in savings over a three-year period. In return, they get a 45 per cent equity stake in the reorganised airline when it comes out of bankruptcy. Unsecured creditors

abandon around \$1bn of claims against the carrier, but get the remaining 55 per cent of the shares. They also receive no cash payments on any reorganisation securities for a three-year period. Mr Icahn loses his equity interest in TWA, any

It is at least preferable to the TWA PROFITS (\$m) carrier that went into bankruptcy. Operating 259.3 24.3 (162.3) (353.5)

First, the operational results should benefit from the labour concessions and, perhaps, the change in top-level management. The former took effect in October and were accompanied by a general downsizing at the airline.

TWA, for example, streamlined its domestic route structure, cutting out services to about eight cities; it eliminated a handful of international destinations; it reduced the number of operational aircraft; it pruned several thousand jobs and so

econd, with lenders set to forgive about two-thirds of the \$1.5bn debt burden, the reorganised airline will carry a much-reduced financial

burden. TWA will also retain a fair number of international routes, notably to continental European destinations, plus its terminal and hub operation at New York's JFK airport. Some analysts still see the international routes as the more attractive side of the business, despite TWA's lack of domestic feed.

anticipated returns on the On the minus side, the fleet pension investments. is old, the airline's reputation Finally, the PGBC gets some with the flying public sullied funding of the plans made up via a \$300m note issued by and the viability of the TWA, to be secured on its domestic operation has yet to be proved international routes/Kansas

"There's a big challenge out there," says Avmark, the This note bears interest at 11 aviation consultancy a fair per cent over a 15-year period. summary of the general Mr Icahn then chips in on top. ambivalence towards the Does this mean that a viable carrier's long-term prospects.

Increase in sales helps Heinz advance to \$154m

By Nikki Tait

H. J. HEINZ, the food group based in Pittsburgh, yesterday reported after-tax profits of \$154.2m in the three months to October 28 - the second quarter of its financial

The result compares with a \$122.8m in the same period of 1991, and was scored on sales which rose from \$1.59bn to \$1.74bn.

Operating profits improved by 15 per cent, year-on-year, to \$261.6m. At the earnings per share level, the result translates into 60 cents, compared with 46 cents a year ago. Heinz said that the gains in

sales and operating profits were due largely to an overall volume improvement of 7 per cent and to favourable exchange rate movements. It added that the volume

affiliates and in certain overseas markets, including the UK. "Volume gains were noted in Weight Watchers brand food products, pet food, tuna, baby food, beans and ketchup," it

Mr Tony O'Reilly, chairman, claimed that some of the moves taken by the company in 1991, which included restructuring action designed to cut costs, lay behind the

products will be introduced this fiscal year with full marketing support," he added. the 1980s, particularly since it

most competitive areas of the food industry. shares up \$% to \$43%.

"A record number of nev

The company has been the target of criticism recently. with commentators questioning whether it can match its impressive performance during is operating in some of the

Yesterday, however, the second-quarter figures helped the After-tax profits for the first

\$398m, against \$377.2m a year ago - although the 1991 figure included \$221.4m from the sale of a subsidiary.

Kerkorian faces lawsuits over sale of MGM studio

By Alan Friedman n New York

CREDIT Lyonnais, the French state bank that controls MGM. the Hollywood studio, has filed a lawsuit seeking \$500m from Mr Kirk Kerkorian, the former MGM owner, and several of his business associates. MGM has filed a separate

suit against Mr Kerkorian and his colleagues, seeking \$750m of damages. The legal actions, filed in Los

Angeles, allege that Mr Kerkorian engaged in a scheme to deceive Crédit Lyonnais in order to facilitate his November 1990 sale of MGM to Mr Giancarlo Parretti, the controversiai Italian financier who in turn was forced out of the stusix months now stand at dio last year by Crédit Lyon-

Mr Kerkorian is accused in the Crédit Lyonnais lawsuit of having conspired with Mr Parretti to conceal the fact that MGM had insufficient cash flow to finance its operations following the acquisi-

He and his colleagues are accused in the separate MGM action of having breached their fiduciary duties in relation to the cash flow analyses presented in 1990.

Lawyers for Mr Kerkorian termed the accusations "completely unfounded". Capital Cities/ABC, the US broadcasting and publishing group, was financially capable of and interested in making a significant acquisition costing

as much as \$8bn. Reuter

reports from New York. Mr Daniel Burke, chief executive officer, told an investors conference that the company was constantly looking for such a deal, but gave no indication whether a move was

omputer trading may

for financial markets in

general, but North America's

largest futures exchanges are

all planning to expand their

trading floors in 1993, sticking

loyally to the open outcry sys-

The Chicago Board of Trade,

the world's largest futures

exchange, jumped on the

expansion bandwagon this

month with a proposal to build

a \$150m trading facility imme-

diately south of the exchange

on LaSalle Street. The member-

ship will vote on the plan on

The proposal comes as US

financial futures products are

under increasingly competitive

assault by over-the-counter

traders and overseas

declining profitability among

December 17.

brokers.

be where the future lies

Deere returns to the black but sees loss in next quarter

By Laurie Morse in Chicago

equipment group, yesterday returned to profit in the fourth quarter and the year to end-October 1992, but forecast a loss for the first quarter of the coming financial year. The company cited weakness in the worldwide sales.

Fourth-quarter earnings were \$4.2m, or 5 cents per share, compared with last year's loss of \$81.5m, or \$1.07 per share. Worldwide sales were virtually static at

For the year, Deere reported a profit of \$37.4m, or 49 cents per share, on sales of \$6.96bn. compared with a loss of \$20.2m. or 27 cents, on sales of \$7.05bn

Fourth-quarter results were boosted by a \$20.7m reduction

in inventories. In the same 1991 quarter, the inventory benefit to results was \$65.0m_

Deere's credit, insurance,

and health care subsidiaries posted strong sales and profit gains in the quarter. However, its core business of agricultural, industrial and lawn and grounds care equipment suffered.

The company's worldwide equipment operations posted a net loss of \$33.7m in the quarter, compared with a deficit of \$103.2m a year ago, which included a \$120m

restructuring charge. With North American grain production expected to level off in 1993, and farm income projected to be flat. Mr Hans Becherer, chairman, said he expected North American

European agricultural equipment was expected to continue to decline, he said, because revisions government agricultural policies would probably lead to

reduced farm incomes and crop

management role, and

abandons all claims against

the airline, thus cancelling

another \$175m of unsecured

claims. He, or one of the

companies under his control,

provides a \$185.3m, two-year

loan to the airline, earning 1

per cent over prime rate. This

gives the airline the necessary

funds to get through the dull

winter travel period. Mr Icahn

also guarantees a minimum

sales price of \$14.7m for

subsidiary.

Midcoast Aviation, a TWA

On the pension front, Mr

Icahn will act as "sponsor" to

the frozen plans and make

annual payments - around

which allow the plans to meet

minimum ongoing funding

requirements. Mr Icahn can

either find these sums from

personal contributions or

through better

City maintainence base.

airline has been created?

\$20m annually for four years -

production in 1993. "First-quarter production tonnage is expected to be approximately the same as in last year's depressed initial quarter." Mr Becherer

He added that several factories would be closed for one or two week periods, in addition to normal holiday retirement benefits. shutdowns.

As a result, he said, Deere usually weak first quarter. Last year the company recorded a first-quarter loss of retail sales of farm equip-

Times Mirror sees difficult year TIMES Mirror, the US

publishing group, expects 1993 to be a difficult year. The group also expects to take special charges against fourthquarter 1992 earnings. although it declined to detail them. Reuter reports from New York.

The company said it expected 1993 first-quarter earnings to be affected by several "serious impediments". Times Mirror earned 26 cents per share in the 1991 first quarter, before a non-recurring gain.

The fourth-quarter charges will include those for restructuring publisher Matthew Bender and adoption of an accounting change on post-

26.87 29.70 29.70 29.70 26.87 29.89 26.87 29.50 26.47 20.72 35 47 28 47 28 57 27 58 27 58 27 54 27 54 27 54 27 54 27 54 20.68 20.32 18.35

Fixed and Floating Rate Guaranteed Notes 1995

the Terms and Conditions, Holders of Notes wishing to exercise their option to redeam their holdings on 19th March, 1993 must deposit such Notes with any Paying Agent between 18th January, 1993 and 17th February, 1993, both dates. Inclusive, together with a duly completed redemphon notice in the form available from any Paying By: Sakura Trust

By Philip Gawith in Johannesburg

SOUTH Africa's two mining giants - Anglo American and Gencor - have confirmed that they will be proceeding with their R3.5bn (\$1.1bn) joint venture stainless steel project. It is the fourth large capital development to be announced by the two groups in the past two months. Construction of the plant, about 120km east of

The project – an expansion of the existing Columbus plant is a joint venture between Anglo and Gencor and the Industrial Development Corporation (IDC) who will be equal

Johannesburg, will start in

exemplifies the trend underway in South Africa to add value to mineral resources rather than export them in raw

Columbus has ready access to ferrochrome and nickel, the main ingredients of stainless steel. Not only does South Africa have most of the world's chrome ore reserves, but Columbus will also be able to source all its nickel requirements locally.

The expansion will quadruple South Africa's stainless steel capacity to 500,000 tonnes a year from the existing 125,000

one-third equity partners. It less steel producing country.

tax allowances. by 40 to 50 per cent.

This announcement appears as a matter of record only.

BELGACOM

has received a credit rating of

from Standard & Poor's Corporation

for its Belgian Franc senior debt

Our ratings specialists

a member of SFA & IMRO

CITIBANCO

It will turn South Africa into the world's sixth-largest stain-

Two factors made the project viable: the acquisition, in September 1991, by an Anglo-Gencor consortium of Middelburg Steel and Alloys (MS&A) plus

Mr Gilbertson declined to elaborate on the returns the project was expected to make. The project should increase value-added to raw materials

It is expected to earn R16bn in foreign exchange in 1993 terms in the first 25 years of its

Present world demand for stainless steel is about 11m tonnes a year, with demand presently increasing at about 3.5 to 5 per cent a year.

AAA

S African mines in R3.5bn project Outcry over exchange expansion

CBOT plans to build a \$150m trading facility, writes Laurie Morse

Thomas Donovan: failed to quell complaints of lost income

exchanges. Smaller CBOT member firms which are struggling financially have not received the proposal happily. The plan, to be financed in part by a four-year increase in trading fees, coincides with a controversial exchange-sponsored study that suggests

While exchange officials refuse to comment on the study, a Chicago newspaper last week reported that the analysis found that average annual income for the CBOT's soya bean futures traders dropped an inflation-adjusted 40 per cent between 1988 and 1991, and that even traders in the exchange's frenzied Treasury bond pit have seen income decline in recent years. In a letter to members Mr Thomas Donovan, CBOT president, said the data in the newspaper report was preliminary and misleading. However, he failed to quell complaints by

centrates in fewer pits and the large investment houses. The CBOT building project is aimed at relieving overcrowd-

independent traders and small

brokerage houses that they are

losing money as business con-



ing on the exchange's financial futures trading floor. Despite the complaints, exchange volume has risen every year, thanks to the US Treasury bond and note pits, where trading space has long been inadequate. Bond and note brokers work in a stuffy, poorly-lit 19,000 sq ft space first designed

for cash grain trading. A proposal to move the financial futures trade across the hall and into the exchange's 35,000 sq ft state-ofthe art trading floor was blocked by grain and soyabean futures traders, who have used the facility since it opened in 1984. In practice, agricultural members control the CBOT's politics, although they generate little more than 20 per cent

of exchange volume. Those same interests may veto the new building plan although officials say it is essential to the CBOT's growth. While the CBOT and the rival Chicago Mercantile Exchange have invested heavily in Glober, the electronic after-hours trading system, Globex is not expected to replace immediately the trad-

ing floor. Launched in the summer. Globex has been troubled by software bugs and rarely records daily volumes above 3.000 contracts.

"All three exchanges (the CBOT, the CME and the New York Mercantile Exchange) have capacity problems, and one has to be prepared to expand the factory," says Mr Richard Sandor, one of the architects of the first CBOT financial futures contract, and now an executive managing director at Kidder Peabody in New York

While electronic trading has become popular, particularly in Europe, Mr Sandor says: "These are long-tailed cycles...these things can coexist side-by-side."

In the first 11 months of 1992, the CBOT traded 140.5m contracts, up 8.5 per cent over the same period in 1991. Of that total, 105.5m were financial futures and options, mostly Treasury bonds and

notes. The CMR increased volume by 25.3 per cent over the same period with more than 68m

contracts traded in the overcrowded Eurodollar futures and options pits. The Eurodollar derivatives are growing in excess of 64 per cent per year, thanks mostly to interest rate swap business. The CME plans to move its

Eurodollar and foreign cur-

rency futures and options pits

to a new trading floor directly

above its current floor next summer. It is engaged in a \$26.6m outfitting which will equal the size of the CME's existing 35,000 sq ft floor. The CME has out-grown its trading space four times in the past 20 years. Mr Jack Sander, CME chairman, said space on the existing floor freed by the move will be devoted to foreign and domestic stock index

futures. The CME expansion is being financed from existing resources and will not require increased clearing fees.

New York's Nymex has also taken a conservative approach to overcrowding, opting to lease rather than build. Last month the exchange, which has a growing complex of energy futures products, announced it would move from its shared floor in the World Trade Center to a building in lower Manhattan. Plans for the space, which the Nymex will lease for 15 years, include a 25,000sq ft trading floor. Nymex received a variety of

take the site and does not expect to have to raise clearing fees to finance the move. New York's three smaller commodity exchanges, the Coffee, Sugar and Cocoa Exchange, the New York Cotton Exchange and the Commodity Exchange, hope to start on a new building in lower

tax breaks and incentives to

Manhattan in mid-1993. The exchanges are still negotiating financing on the \$150m project, and expect to remain in the World Trade Center location they share with Nymex throughout next year.

ORIX Ireland Finance plc Japanese Yen 20,000,000,000 Notice is hereby given that, in

accordance with Condition 5(C) of

International Limited as Fiscal Agent

9th December, 1992

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acted as financial advisers during the rating procedure

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Moody's downgrades

not a major obstacle,

say UK insurers

By Brian Bollen

capital markets.

THE downgrading of financial

strength and debt ratings of

Sun Alliance and Eagle Star by

Moody's Investors Service, the

US agency, is being seen as

something of an irritation by

The reaction from the com-

panies and some of their com-

petitors was that the move.

which largely reflects concern

about exposure to UK domestic

mortgage indemnity risk, is

not a major obstacle to tapping

"The economic environment

seems to be improving," said

Mr Peter Fiddimore, responsi-

ble for corporate treasury at

Sun Alliance. Being put on

review in the first place

pushed up commercial paper

borrowing costs by up to 25

Moody's acknowledges that

if there are no further adverse

developments in the UK hous-

ing sector or large claims

caused by terrorism or storms,

basis points, he said.

the UK insurance industry.

little changed in light trading yesterday morning as market participants consolidated gains earned in the recent rally. By midday, the benchmark

30-year government bond was unchanged at 1021 to yield

GOVERNMENT BONDS

7.446 per cent. At the short end of the market, the two-year note was is firmer at 100 to carry a yield of 4.591 per cent.

In the absence of new economic data trading was subdued, although there was some sporadic profit-taking.

Prices have risen substantially in the past few days amid hopes that economic growth would be sufficient to dissuade president-elect Bill Clinton from over-stimulating the economy with an aggressive package of fiscal stimuli.

By yesterday, however, analysts felt that these hopes had been properly priced into the

funds to invest

A NUMBER of US company

pension funds are to take part

in a \$150m private investment

fund for Poland, the largest so

far devoted to that country,

writes Christopher Bobinski in

Warsaw. The Polish Private

Equity Fund has been fully

subscribed, with one-third of

the financing coming from the

European Bank for Recon-

Another \$50m is being pro-

vided by the Polish-American

Enterprise Fund (PAEF).

charged by the US Congress

with investing \$240m of US

public money in Poland's pri-

vate sector. Creditanstalt. of

Austria, has provided \$7m.

with the balance made up by

other pension funds, including

The assets of both the Polish

Private Equity Fund and the

PAEF will be managed by a

new company, Enterprise

Investors, composed of the

that of General Electric.

PAEF's staff.

struction and Development.

US pension

in Poland

market, which has also already discounted this week's most important economic figures the data on November producer and consumer prices. and retail sales.

■ UK government bonds closed higher, with long-dated issues benefiting from the current interest in lengthening trades.

In the cash market, the 9% per cent gilt due 2002 rose from 108% to 108% to yield 8.38 per cent as dealers noted some interest in switching into longer-dated issues.

At the short end of the market, the 10 per cent gilt due 1994 gained & of a point to end at 1041, yielding 6.87 per

The recent spate of more optimistic economic data has dashed hopes of a cut in the hase rate, encouraging interest in lengthening trades, dealers

However, volume remained thin, with only about 16,000 futures contracts traded.

■ MEDIUM and long-dated German government bonds closed higher yesterday,

		Coupon	Red Date	Price	Change	Yleid	Week	Month ago
AUSTRAL	IA.	10.000	10/02	107.9838	+0.135	8.77	9.70	8.73
BELGIUM		8.750	06/02	104,7900	+ 0.020	9.00	8.07	8.35
CANADA	•	8.500	04/02	103.5500	-0.100	7.95	8.18	7.38
DENMAR	K	9.000	11/00	99.5700	+ 0.286	9.07	8.93	9.50
FRANCE	BTAN	8.500 8.500	03/97 11/02	101.2383 101.6450	-0.071 -0.050	8.12 8.25	8.16 8.24	8 64 8,48
GERMAN	Y	8.000	07/02	103.9800	+0.110	7.40	7.39	7.43
TALY		12.000	05/02	93.0250	-	13.76†	13.59	14.57
APAN	No 119 No 145	4,800 5.500	08/99	101.6889 105.8199	-0.118 -0.077	4,47 4,51	4.51 4.61	4.72 4.86
WETHERL	ANDS	8.250	06/02	105.0800	+ 0.140	7.48	7.51	7.71
SPAIN		10.300	06/02	86.9500	-9.650	12.71	12.70	13,21
UK GILTS	3	10.000 8.752 9.000	11/96 08/02 10/08	108-23 108-30 102-21	+3/32 +6/32 +14/32	7.39 8.38 8.68	7.54 8.51 8.84	8 36 6.96 9.23
IS THEA	SURY :	6.375	08/02	97-06 102-01	+ 3/32	6.78 7.45	8.93 7.58	8.58

RENCHMARK GOVERNMENT RONDS

Technical DetailATLAS Price Sources

remained nervous about a possible rise in interest rates at Bundesbank's repo operations.

London closing, "denotes New York morning session

The Liffe bund futures contract opened at 91.44 and traded up to a high of 91.67 before closing at 91.58. However, volume in the market was relatively low at

today's allocation of 14-day securities repurchase agreements to see whether there is an increase in the minimum rate at which funds are allocated. Dealers said there was some

The market will be watching

nervousness that the minimum edged up. rate may rise, especially as overnight money has edged up

* for 1992. Government Securities high since compilation: 127.40 (9/1/35) , low 49.18 (3/1/75) Fixed Interest high since compilation: 110.26 (12/11/92), low 90.53 (3/1/75) GILT EDGED ACTIVITY Dec 3 Gill Edge Bergains 5-Day average SE activity indices rebased 1974

FT FIXED INTEREST INDICES

8.95 per cent on Monday. The main focus for the market this week is tomorrow's meeting of the Bundesbank council at which the central bank is expected to announce

for 1993. Some economists have predicted that the Bundesbank will set a slightly higher money supply growth target for 1993 at the meeting, raising it from its present target range of 3.5-5.5 per cent to 4.0-6.0 per

its money supply growth target

JAPANESE government bonds ended slightly weaker as money market interest rates

The yield on the benchmark No 145 opened at 4.585 per cent,

cent before ending at 4.595 per

The March bond future contract fell from 107.90 to close at The overnight call rate

traded at 3置 per cent, compared with 3H per cent on Monday. Dealers said that the bond market was waiting for Fri-

day's tankan report, the Bank of Japan's quarterly economic review, in the hope that the central bank would cut the official discount rate. However, the announcement

yesterday by several of the city banks that they will cut their short-term prime rates by a quarter of a point to 4.5 per cent, may reduce the chance of such a discount rate cut, deal-

HINDALCO, the Indian

aluminium producer, has post-

poned the launch of its

planned \$100m international

Robert Fleming, lead man-

The Bombay stock exchange

was closed on Monday and yes-

terday after the destruction of

Hindu militants sparked a

wave of violence across the

Grasim Industries, the

Indian cement, textiles and

fibre manufacturer, has com-

pleted its recent \$90m GDS

offering, although Citicorp, one

of the joint lead managers, said

it was too early to say whether

the issue would be extended.

ager for Hindalco's global

By Sara Webb

unrest in India.

country.

European alliance of Indian unrest leads Hindalco four banks disbanded to delay issue

By Haig Simonian in Milan

EUROPARTNERS, the alliance formed more than 20 years ago between four leading European banks, has agreed to disband. marking a further erosion of the once-popular banking partnerships of the 1970s.

At a meeting in Rome this week, the heads of Banca di Roma, Commerzbank, Crédit Lyonnais and Banco Central Hispano-Americano decided their loose union - whose ambitions once included operating joint branches in third countries - no longer fitted in with the liberalised European

Almost the only remaining tangible sign of the alliance, one of a number of loose partnerships between European banks, is the cross-equity stakes between Commerzbank and Banco Hispano-Americano. Attempts between the part-

ners, notably Commerzbank, to

develop closer ties foundered

market.

on a mixture of growing competition between the members and confused national banking policies. Matters were not helped by

the fortunes of UK composite

insurers could be at a turning

point as premium rates harden

Moody's downgraded to A2

from A1 the senior debt ratings

of the Sun Alliance group hold-

ing company and the financial

strength rating of the main

operating company to Aa3

from Aa2, while Eagle Star

Insurance's financial strength

rating was lowed to A2 from

Al. Royal Insurance's financial

strength rating was confirmed

at A3. Between them, the three

groups have an estimated 60 to

65 per cent of the domestic

"The fact that the downward

mortgage indemnity market.

ratings changes are so small

compared with the mortgage

indemnity crisis indicates

there are compensating com-

forts from other factors," said

analyst at Moody's.

Mr David Anthony, a senior

"Everybody is at least guard-

edly optimistic that 1993 could

be a good year for the UK com-

posite sector," he added.

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EGG TEST TOP

and interest rates fall.

the fact that two of the Europartners were from the private sector and the other pair stateowned.

However, it was the steady integration of European finance which hammered the final nail into Europartners' coffin. Though originally formed on the understanding that no member would do business independently on another's territory, that principle was eventually watered down to cover only retail banking.

In the end, even that proved too much in an increasingly competitive European banking market as national borders crumbled and Crédit Lyonnais. in particular, pursued an aggressive policy to build up an acquisition-based retail banking presence in Italy and now Germany.

to 8.95-9.05 per cent, from 8.85moving to a high of 4.575 per although dealers said that the around 28,500 contracts. Firm demand for \$2bn Citicorp offering

By Tracy Corrigan

CITICORP'S \$2bn global offering of credit card backed securities. launched vesterday for pricing today, met firm demand from investors in both

INTERNATIONAL

receivables.

the US and Europe. The offering, consisting of \$1bn of two-year notes and \$1bn of five-year notes, is backed by Citicorp credit card

The indicated pricing is 17 to 20 basis points over the London interbank offered rate for the two-year notes, arranged by Citibank, and 30 to 32 basis points over Libor for the fiveyear notes, arranged by Salomon Brothers.

tomorrow at par or slightly Both two-year and five-year

notes were issued in conjunc-

tion with junior tranches of

The notes will be priced

notes arranged by J.P. Morgan, Dealers said that demand for the two-year notes had been particularly strong in the US, where the large money funds provide a ready investor

"Most of the US funds are able to go out as far as two years, and are prepared to do so when the yield is high enough," said one trader, who added that the same sort of investor base did not exist in Europe.

Citicorp has already launched an issue of floatingrate notes backed by credit card receivables, earlier this

The deal completes Citicorp's \$5bn securitisation programme

this year. The company expects to have a \$5-6bn borrowing programme again next year, an official said. • Exportfinans, the Norwe-

gian export lending agency, plans to use a novel structure which will allow it to add to its Tier 1 capital. The agency has filed a proposed public offering with the

Securities and Exchange Commission in the US for a \$100m issue of preferred capital securities. The structure, which has not been used before, was devel-

oped by Goldman Sachs. The concept is similar to preferred stock, expect that legally the securities are not shares. Nevertheless, the Nor-

wegian regulatory authorities have approved the securities as Tier 1 capital.

The securities will be denominated in dollars and will entitle holders to receive fixedrate quarterly interest payments, subject to certain conditions. The subordinated debt will

equity offering because of the be undated, but Exportfinans will have the right to redeem the securities at par after 10 years, subject to regulatory depositary share (GDS) offering, said the issue would take approval. place "as soon as the market is

Other Norwegian borrowers might be able to use the same type of instrument, but borrowers from other countries would need to convince their regulators to approve the the mosque at Ayodhya by structure as Tier 1 capital.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	PIRA	Maturity	Foot	Book runner	
YEN Glory	10bn	56	101	2000	17/13%	Yamalchi Int.(Europe)	
SWISS FRANCS						16	
European Inv.Bank(a)	150	6	102	1996	-	Swiss Volkabank	

MARKET STATISTICS

	FT/ISI	A	NTE	RN	ATK	ONAL BOND SERVICE	E			
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S. DOLLAR STRAIGHTS	Issued 200	8M	Offer 106's	637	Yield 5 ZZ	OTHER STRAIGHTS ARBED 7 L/2 95 LFr ECSC 7 3/4 94 LFr WORLD BANK 8 96 LFr ENERGIE BEHEER 8 3/4 98 FI UNILEVER 9 OD FI ALBERTA PROVINCE 10 5/8 96 CS BRITISH COLUMBIA 10 96 CS EIR 10 L/8 98 CS ELEC DE FRANCE 9 3/4 99 CS FOND CREDIT CANADA 10 96 CS FOND CREDIT CANADA 10 96 CS KFW INT FIN 10 01 CS HIPPON TEL & TEL 10 L/4 99 CS ONTARIO HYDRO 10 7/8 99 CS OSTER KONTROLLBANK 10 1/4 99 CS OSTER KONTROLLBANK 10 1/4 99 CS OUEBEC PROV 10 1/2 98 CS BELGIUM 9 1/8 96 ECU CREDIT LYONNAIS 9 96 ECU CREDIT LYONNAIS 9 96 ECU EET 7 5/8 94 ECU UNITED KINEDOM 9 1/801 ECU	Essaed 600	Bid Offer	i stay Y	ield 9 09
S. DOLLAR STRAIGHTS 3N 9 1/8 94 BERTA PROVINCE 9 3/8 95 ISTRIA 8 1/2 00 INK OF TOKYO 8 3/8 96 ELGIUM 9 5/8 98 FCE 7 3/4 97 IP 8 5/8 94 INADA 9 96 INADA 9 96 INADIA PREEZ 9 96 INADIA 9 96 INADA 9 1/4 95 INADA 9 1/4 96	600	109	1091	444	5.88	ECSC 7 3/4 94 LFr	1000	997 1007		83
ISTRIA 8 1/200	100	1054	1084 1064	44	7.05 6.38	WORLD BANK 896 LFr	1000	99 ¼ 100 ¼ 105 ¼ 100		8 06 7 5 3
TLGIUM 95/898	250	1125	1051	+4	6.82 6.42	UNILEVER 900 FI	500	1094 10	9	747
IP 85/894	300	105 -	1061	+4	4.97	ALBERTA, PROVINCE 10 5/8 % CS	500 150	1064 1074		81L 885
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FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated, Coupon shown is n offered rate (bibree-month Sebove mean rate) for US dollars. C.con - The current coupan. CONVENTIBLE BONDS: Described in dollars unless otherwise indicated. Cov. price - Nominal amount of bond per share supressed in currency of share all conversion rate fixed at issue Prem - Percentage premium of the current effective price of acquiring shares stated bond. over the most recent price of the shares.

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RISES AND FALLS YESTERDAY Other Fixed Interest.... ommercial, Industrial inancial & Property LONDON RECENT ISSUES EQUITIES High Low FIXED INTEREST STOCKS Clasing Price Price Paid Renunc. RIGHTS OFFERS Clasing PTKE Paid Date a Annualized dividend in Figures based on prospectus estimates, g Assumed dividend and yield, d Earnings based on pre-preliminary liqures in Forecast or estimated annualised dividend rate, come based on pre-loss year's careings. Y Endividend F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1992-94 based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend cover and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend cover and yield based on prospectus or other official estimates. W Pro Forma Injury 4 issued by way of rights it introduction, § Practing price, it Reintroduction, § Unifosed securities market. I bused in connection with reorganisation, interper or takeover, pm Price at a previous.

TRADITIONAL OPTIONS First Dealings shown in Saturday aditions. Calls in ASDA, Blue Circle, Can-Last Dealings Last Declarations non Street Inva., Proteus Intl. and March 11 Tadpole Technology. Put in Enter- For settlement March 22 -month call rate indications are prise Oll.

FT-SE ACTUARIES INDICES

The PT-SE 100, PT-SE Mid 250 and FT-SE Actuaries 350 indices and the PT-SE Actuaries industry Baskets are calculated by The international Stock Exchange of the United Kingdom and Republic of Ireland Limited. The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1991. All tehts ruserved. The FT-Actuaries All-Share index is calculated by The Financial Times Limited in conjunction with the institute of Actuaries and the Faculty of Actuaries.

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FT-ACTUARIES FIXED INTEREST INDICES AVERAGE GROSS REDEMPTION YIELDS Mon Dec PRICE MOICES Accreed xo adj. interest 1992 to date 7.37 8.30 8.53 15 years... 9.43 20 years.... 9.43 7.65 8.72 8.88 7.86 9.02 9.19 8.92 5 Years... Up to 5 years (22) ... 128.05 +8.94 128.21 15 years.... 2 5-15 years (25) .. 145.34 +0.16 145.57 20 years.... 3 Over 15 years (8) ... 152.05 +0.46 151.36 10.01 8.97 170.49 +0.22 170,14 9 (21%-1. 13.66 All'stacks (61) 1141.85 +0.15 141.95 8.90 11 Inflation rate 5% 6 Up to 5 years (2) 183.69 -0.08 183.84 Over 5 years (10) . 164.37 -0.34 164.60 13 loftation rate 10% Up to 5 yrs. 1.78 8 All stocks (12) ... 165.76 -0.13 165.98 3.96 Over 5 yrs. 3.74 4.17 9 Dels & Lewis (62) 122.70 +0.25 122.39 15 years,...

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Cuts help raise Siebe by 6.8%

By Andrew Bolger

COST-CUTTING helped Siebe, the UK-based international engineering systems and controis group, increase interim pre-tax profits in spite of lower sales.

Turnover fell by 6.8 per cent to £757.3m in the six months to September 30, but the pre-tax profits were 6.8 per cent higher at £80.3m (£75.2m).

Mr Barrie Stephens, chairman, said there were glimmers of recovery in the US - particularly in consumer-related goods - but this would be partly offset by signs of a slowdown in Germany and Japan.

Mansfield

to £6.7m

Brewery up

MANSFIELD Brewery, the

Yorkshire and east Midlands

brewer, lifted pre-tax profits

from ££6.36m to £6.67m in the

Group turnover edged ahead

to £60.8m (£59m). Mr Joss

Nangle, acting chairman since

the death of Mr Geoffrey Kent

in September, said that sales

volumes of draught beers

advanced by 4.8 per cent

against an estimated regional

The success with draught

sales, along with "continued

strong control over costs"

resulted in trading profits up

13 per cent at £6.65m. This

was struck after a £900,000 provision for bad and doubtful

Earnings per share inched

up to 28.8p (28.4p) and the

interim dividend is lifted 10

Tribune in I£2m loss

decline of 3.5 per cent.

debts in the free trade.

per cent to 4.4p (4p).

to end-March 1991.

26 weeks to September 26.

The group had achieved higher margins by better cash management, tight control of working capital and staff reductions, mainly in the US. A total of 1,200 jobs were shed during the six months, bringing the group's total workforce down to 31,000, compared with 38,000 three years

More than 90 per cent of Siebe's sales go outside the UK. with the US accounting for about 45 per cent. Had these results been translated at last year's exchange rates, the sales figure would have been £30.9m higher and the pre-tax profits figure up £2.7m.

Siebe welcomed the recent devaluation of sterling and said it was likely to reverse the first half's adverse translation effect, assuming that the pound stayed at its present

Mr Stephens said the group had completed the integration of Poxboro, the US industrial controls group which it bought for \$650m in 1990, and was now on the look-out for further acquisition opportunities.

Net cash flow was £34.2m (£36.3m) and net indebtedness was £490m, giving gearing of 68.7 per cent, compared with 88.4 per cent last year. The group said it was on target to

reduce the gearing figure to the mid-50s by next year. Mr Stephens said the group spent the equivalent of 4.1 per cent of sales on research and development, of which it capi-

Stebe's tax rate was 41.9 per cent (41.4 per cent). It included a write-off of £700,000 on unrelieved advance corporation tax. down from 12m thanks to increased repatriation of royal-

talised 214m during the half-

Earnings per share rose by 5.4 per cent to 11.7p (11.1p) and the dividend is increased by 10 per cent to 3.3275p (3.025p). See Lex

Eurocopy falls 76% to £1.7m

By Peggy Hollinger

PRE-TAX PROFITS at Eurocopy fell 76 per cent to £1.7m in the year to end-September, as the office equipment distributor struggled to repair the damage resulting from adverse publicity over sales practices at a Scottish subsidiary.

For the first four months Eurocopy had been under investigation by the Office of Fair Trading - it was eventually cleared - and the remaining eight months were "perhaps the worst in living memory," Mr Michael Armitage, finance director, said.

Efforts to rebuild sales, which melted largely due to the inquiry, had been thwarted by recession. Turnover for the 12 months to September 30 declined by 22 per cent to £34.2m. Hardest hit had been the machine sales division, which accounted for some £5m of the

decline in group turnover. This business incurred a loss of £4.5m. The group's struggling furniture business suf-

fered a loss of £1m during the year. Eurocopy is reviewing several options for this operation and a decision is expected soon. Eurocopy's servicing operations suffered from

a decline in copy volumes.

The company had taken action to cut costs, including a 19 per cent reduction in employee numbers. It was estimated that annual savings would be about £1m.

The dividend was cut by 2.4p to 0.5p for a total of 1.6p (4p). Earnings per share tumbled from 9.49p to 2.32p.

COMMENT

Eurocopy has truly had an "annus horribilis". Yet with this set of results, one might hope that things can only get better. Still, it will be a long, hard slog to rebuild business, particularly in Scotland where the losses ran to £1m. This is a group which truly needs economic recovery. Short of that, Eurocopy should benefit from cost cutting. Analysts are forecasting about \$2.5m for this year, based on flat servicing profits and reduced losses in machine sales. If the company does something about the furniture division, then profits could be as much as £500,000 better. The prospective p/e of 11 leaves the shares fairly valued in the short-term. However, economic recovery could change the whole ballgame on a longer-term basis.

OIS returning to market with £15m tag

By Matthew Curtin

Tribune Group, the Irish newspaper company, reported a pre-tax deficit of IC2.03m (£2.15m) for the 15 months to July 1. That compared with losses of I£2.34m for the year

The board intends to eliminate the group's two-tier structure by making the publications side a wholly owned subsidiary of the newspapers

OIS International Inspection, the technical inspection services group, is seeking a £15m listing on the Stock Exchange because its owner. Adia - the troubled Swiss employment group - is continuing to dispose of non-core interests.

The listing, scheduled for December 22 with the placing of 30m shares of 50p each, effectively marks the return of OIS to the Stock Exchange after a five-year absence.

In 1988, the group was taken over by a consortium led by Mr Paul Bristol, who changed its name to Brompton Holdings. then listed it on the USM.

Brompton had a chequered career and was bought by Adia for £11.7m in June Mr Malcolm Russell, manag-

ing director of OIS, said yesterday the listing was prompted by the changing focus at Adia, but the group was in a good position to go public. OIS had a wide operational

base, selling its services to the construction, oil, transport and power generation industries, with customers such as Shell and British Gas. The business was driven by regulatory requirements for non-destructive testing - using ultrasonics and radiography - of installations for safety, quality

and environmental purposes. Turnover improved from £27m in 1989 to more than £40m: of which 40 per cent came from the Middle East, the Far East and Africa.

BA bid for **Qantas** expected

By Paul Betts, Agrospace Correspondent

BRITISH AIRWAYS is today expected to make a bid for a 25 per cent stake in Qantas, the Australian national carrier due to be privatised next year. The BA board met yesterday and is understood to have agreed the bid. A formal notification will be made today. the Australian government's deadline for bids from foreign

airlines for a stake in Qantas.

BA is expected to face stiff competition from Singapore Airlines and Air New Zealand Under the Australian government's rules, the maximum stake a foreign carrier can acquire is 25 per cent, thought to be worth between A\$600m and A\$750m (£340m) depending on the Australian government's decision on how much it is prepared to recapitalise the airline before privatisa-

Sir Colin Marshall, BA's chief executive and deputy chairman, said yesterday that a partnership between the UK carrier and Qantas would make "a very good fit".

Qantas would give BA a much stronger presence in the Asia-Pacific market which continues to show the fastest growth of any aviation mar-

Sir Colin sought to dampen Australian fears that BA was seeking to take control of Qantas.

"There seems to be a misconception in Australia that our only interest is in taking over Qantas. It isn't. Qantas will remain an Australian airline under Australian control." • The US government is expected to make a decision by Christmas on BA's proposed acquisition of a 44 per cent stake in USAir for \$750m

had called an extraordinary meeting on December 18 to approve the partnership. The deal continues to face flerce opposition from the big three US airlines, American Airlines, United Airlines and Delta Air Lines.

(£493m). Sir Colin said USAir

Tomkins likely to have no net debt after RHM buy

By Richard Gourlay

TOMKINS, the conglomerate. is likely to end up with no net debt after its £935m acquisition of Ranks Hovis McDougall, the milling, baking and grocery products company, according to the company's advisers. Costs relating to the likely

will, however, leave the group with some net gearing. Before its move on RHM. Tomkins had net cash of about £150m. Tomkins said yesterday that

closure of a number of bakeries

as of Monday it had received valid acceptances representing about 61.97 per cent of the RHM ordinary shares. The company had also bought 22 per cent of the shares for cash

RHM shareholders representing some 44 per cent of acceptances opted for Tomkins cash alternative to the ordinary offer. Some 37 per cent elected for the all share offer while 18 per cent accepted the ordinary

offer which involved a split of

during the offer period.

cash and shares. The advisers said the pattern of acceptances had left Tomkins "broadly neutral" with no cash or net debt and in line with what it was hoping for at the outset of the bid.

Yesterday's announcement suggested shareholders have cast aside their immediate worries about the bid. Early in the bid, concern that Tomkins had

bitten off more than it could

chew had helped push the shares close to the 200p price of the rights issue that is partly

financing the deal. Yesterday, however, Tomkins shares responded to the level of acceptances by jumping 7%p to 238%p. This was some 10p above the price at which Tomkins' share offers was worth more than the cash

alternative. BZW, the company's advisers, said it had sent notice of the second instalment of the rights issue to Tomkins share-

Tomkins is unlikely to make any early statement on the number of RHM's bakeries it is likely to close or the level of related acquisition provisions.

Ossory £41.6m in the red

By Vanessa Houlder, **Property Correspondent**

OSSORY Estates, the property group, yesterday announced pre-tax losses of £41.6m for the year ended June 30 after heavy write-downs of its property portfolio.

The company's accounts have been qualified because it is in talks with its banks following the breach of its banking covenants. "Whilst the accounts have been prepared on a going concern basis, such a basis will be valid only if agreement with the group's banks is forthcoming and if sufficient working capital is raised from property dispos-

Ossory said it was hopeful that an agreement would be reached with the banks and it anticipated writing to share-

als," the company said.

holders shortly. The company described its results as "a very serious setback*. It blamed its difficulties on excessive borrowing, speculative development, cost overruns and a level of overheads that was inconsistent with the

size of the company. "The board takes no consolation from the general problems in the property sector and it is not content to await an economic recovery for a revival of the group's fortunes," it said.

The company said it intended to maintain stringent controls over overheads and to address the anomalies of yield, location and quality in the property portfolio. It made sales of £41.1m during the last financial year.

The board underwent substantial changes during the

year including the resignation of Mr Brett Allen and Mr Joseph Shaoul, joint managing directors. The company said it intended to strengthen the board of directors and the company's management within the agreed overhead targets, as

soon as practicable. The provisions stemmed from a £11.1m write-down against investment properties, a £15.4m write-down against development properties and £16.1m write-down against interests in associated undertakings, investments and debtors. There was also a £4.6m write-down against the revalu-

ation reserve. Net assets per share fell from 79.41p to 19.32p. There were losses per share of 53.15p, compared with earnings per share of 5.15p. No final dividend is

Bogod little changed

Profits of Bogod Group, a seller of sewing machines and parts. were little changed at £105.000 pre-tax for the six months ended September 30.

The figure, which compared with £102,000 previously, was scored from a turnover marginally lower at £2.52m (£2.66m) The interim dividend on the A shares is held at 0.2p from earnings of 1.22p (1.19p).

Correction

FT-SE SmallCap index

Monday's table of FT-SE SmallCap index constituents incorrectly included Manchester Ship Canal, Fleming International High Income Investment Trust and London & St Lawrence Investment as constituents of the FT-Actuaries All-Share index from December 31 1992. In fact, these three companies do not

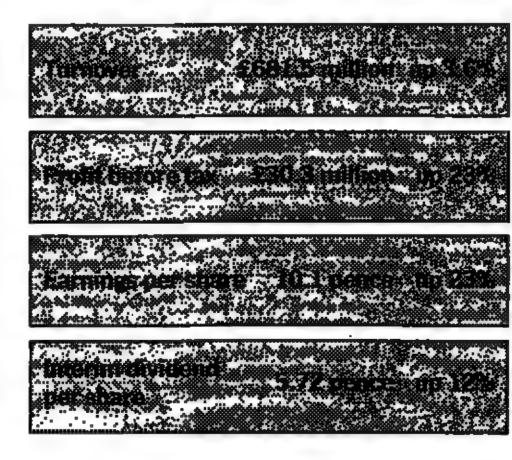
meet the eligibility require-

Other constituents listed in the table are correct, except that Taunton Cider was incorrectly listed as Thornton Cider. Leeds Group and Telemetrix were marked as new entrants; in fact, they are already constituents. We apologise for



East Midlands Electricity plc

INTERIM RESULTS FOR THE SIX MONTHS TO 30 SEPTEMBER 1992



"The core electricity business performed well and the recently acquired businesses made a positive contribution.

"Management effort continues to focus on permanent reductions in operating costs. Many of the measures implemented in the first half year will provide long term operational and financial benefits. The underlying strengths of our company give me great confidence not only for the outcome of this financial year but for the years ahead."

Chairman and

8 December 1992

Stx months ended 30 September 1992	6 months to	idited 30 September	
	1992	1991	31 March 1992
TIONOUGO	£m 7.00	m3.	m2.
TURNOVER	681.5	658.1	1,543.8
OPERATING PROFIT	37.3	30.3	157.5
INCOME FROM FIXED ASSET INVESTMENTS	4.1	4.3	12.6
NET INTEREST PAYABLE	(11.1)	(9.9)	(20.1)
PROFIT BEFORE TAXATION	30.3	24.7	150.0
TAXATION	(8.2)	(6.8)	(40.7)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	22.1	17.9	109.3
DIVIDEND	(12.5)	(11.1)	(37.3)
RETAINED PROFIT	9.6	6.8	72.0
EARNINGS PER ORDINARY SHARE (pence)	10.1	8.2	50.1
DIVIDEND PER ORDINARY SHARE (pence)	5.72	5.10	17.10
SUMMARY GROUP BALANCE SHEET			
As at 30 September 1992	Unau	Audited	
		tember	31 March
	1992 £m	1991 £m	1992 £m
FIXED ASSETS	687.1	625.5	662.9
CURRENT ASSETS	465.7	386.5	403.9
CREDITORS: amounts failing due within one year	346.0	218.3	267.8
NET CURRENT ASSETS	119.7	168.2	136.1
TOTAL ASSETS LESS CURRENT LIABILITIES	806.8	793.7	799.0
CREDITORS: amounts failing due after more than one year	207.8	263.2	- 210.2
PROVISIONS FOR LIABILITIES AND CHARGES	27.4	24.7	23.1
	571.6	505.8	565.7
CAPITAL AND RESERVES	571.6	505.8	565.7
NET BORROWINGS	114.2	160.4	180.1
GEARING	20.0%	31.7%	31.8%

1. The interim accounts for the six months to 30 September 1992 and the comparative results to 30 September 1991, which are unsudited, have been prepared under the historical cost convention, as modified by the valuation of fixed asset investments. The accounting policies adopted are consistent with those applied for the year ended 31 March 1992. 2. The financial information contained in this interim statement does not amount to statutory accounts within the meaning of Section 240 of the Companies Act 1985. The accounts for the year ended 31 March 1992, which include an unqualified report by the auditors, have been delivered to the

3. Taxation for the six month period has been provided on the basis of the estimated effective law rate. 4. The calculation of earnings per share for the six months ended 30 September 1992 is based on earnings of £22.1m and a weighted average of 218.1m.

The core electricity business performed well and the recently acquired businesses made a positive contribution. Group turnover for the six months to 30 September 1992, at £681.5 million, rose 3.6 per cent over the comparable period in the previous year. Profit before taxation improved 23 per cent to £30.3 million, whilst earnings per share at 10.1 pence were 23 per cent higher. The interim dividend is being increased by 12 per cent with the declaration of a payment of 5.72 pence per share. This will be paid on 24 March 1993, to all shareholders on the register at 5 February 1993.

The company has distributed virtually the same level of units as last year reflecting the resilience of the East Midlands region. The supply business improved its performance. This arose in part due to the recovery of uplift charges from last year and also as a result of a trend by customers towards sales contracts which have smaller differences between winter and summer prices. This has the effect of bringing forward profits from the second half of the year into the first.

In retailing the move from uneconomic high street locations has continued with six more shops to close by March 1993. This affected operating performance in the first quarter of the year but in the second quarter the business traded profitably. In order to continue the development of our retail business we announced a joint venture between ourselves and Yorkshire Electricity Group plc, operational from 1 April 1993. This important development will provide significant operating economies.

Ambassador Security Group PLC, which was acquired in August 1991, continues to grow organically and in the six months under review improved its contribution to operating profit. It has been particularly successful in securing nationwide contracts for security systems.

The problems encountered by the original electrical contracting business are being vigorously addressed. New terms and conditions of employment have been agreed and are in place and further cost reduction initiatives are being taken, the full benefits of which will be seen in subsequent years. Elsewhere in contracting, business is being secured through the careful positioning of each company within its own specialist sector on a national basis.

One of our key objectives is to minimise the price of electricity to our customers. This ensures that we can compete effectively in the energy market and hence meet the needs of both customers and shareholders. In this context we welcome the Government enquiry into the future British energy policy. Within the East Midlands a number of pits are scheduled for closure and whilst it is hoped that some can remain viable, it is essential that the final decision does not result in increased prices to our customers.

The company will enhance shareholder value by continuing to focus on the core business and within it the twin objectives of Improving customer service whilst remaining one of the lowest cost operators in the industry. In addition to setting the standard of guaranteed timed appointments, which is as yet unrivalled, the company has also introduced more flexible working arrangements for the benefit of customers. Management effort continues to focus on permanent reductions in operating costs and the restructuring within the district organisation has now commenced.

The underlying strengths of our company give me great confidence not only for the outcome of this financial year but for the years ahead.



A copy of this statement can be obtained by applying to the company's Corporate Relations Department, East Midlands Electricity plc, 398 Coppice Road, Arnold, Nottingham NG5 7HX. Tel: (0602) 269711

cardinary shares in issue during the period.

Capital spending cuts Vaux to £31m

By Philip Rawstorne

VAUX GROUP. Sunderlandbased regional brewer and hotels and nursing homes operator, held its final dividend at 6.1p in spite of a 10 per cent fall in pre-tax profits from £34.3m to £30.9m.

Results for the 53 weeks to October 3 were depressed by a £4.65m increase in interest charges after heavy capital spending on hotels and pubs. Spending amounted to £75m

 £35m on the acquisition of 270 pubs, £15m on the completion of new hotels at Bristol and Bexley, £17m on refurbishment and £8m on the breweries.

During the year the group raised £20m from the sale of the Blayneys off-licence chain, £20m from the issue of debenture stock and £10m from a hotel sale and leaseback.

Trading profits rose 10.9 per cent to £39.5m (£35.6m) on turnover 7.5 per cent lower at £247m (£267m).

By Vanessa Houlder,

resolved.

Property Correspondent

London & Provincial Shop, a

subsidiary of Randsworth

Acquisition, said it could go

into receivership within a fort-

night, unless a dispute over an

alleged breach of covenant is

The dispute concerns a £1.4m

sale in 1990 of a property that

was subject to a first charge as

The failure to execute a for-

security for debenture stock.

mal release from this charge

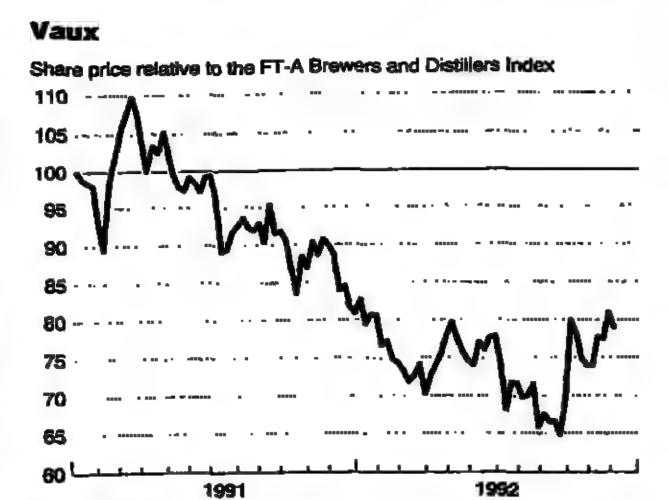
was seen as a breach of cove-

nant by the Law Debenture

Trust Corporation, the trustee

London & Provincial

Shop faces receiver



6.3 per cent from 20.31p to The total distribution of 9.35p compares with 9.2p last

Acquisitions contributed to a

of the debenture stock.

of covenant.

appoint a receiver.

Trust Deed," it said.

Late on Friday, Law Deben-

ture served a formal notice on

the company requiring it to

make good the alleged breach

ated, they are entitled to

said it did not believe there

had been a breach of covenant.

fied that at all times the com-

pany has acted, both in rela-

tion to this matter and

generally, in accordance with

the terms of the Debenture

If their claim is substanti-

London & Provincial Shop

"The directors remain satis-

Source: FT Graphite

from Vaux and Wards breweries and the tenanted pub estate to £19.5m (£15.3m), Turnover improved by £10m to

Citizens

Financial

strongly ahead

Citizens Financial, the US

subsidiary of the Royal Bank

of Scotland, reported net

income of \$17.54m (£11.5m) for

the year ended September 30.

That compared with \$8.88m

returned for the preceding 12

Tangible capital ratio was

7.18 per cent, more than dou-

ble the federal 3 per cent mini-

mum requirement. At the

year-end. Citizens' total risk-

based capital ratio was 12.43

per cent - well in excess of

the federal minimum standard

Total assets at September 30

of 7.25 per cent.

were \$4.44bn.

The group has bought 448

to £12.5m (£12.4m) on turnover up 10.7 per cent to £77.9m. Borrowings increased from £101m to £122m and gearing increased from 20.8 per cent to 32.4 per cent.

pubs since 1989 and has "sub-

stantially strengthened its

regional position in the north

of England, said Mr Paul Nic-

group's 127 managed houses,

achieved a 2 per cent growth in

profits, from £4.65m to £4.74m,

on turnover ahead 10.6 per cent

Volume sales through the

group's own pubs rose 10.5 per

cent - but would have

declined 5 per cent if thenew

pubs were excluded. Free trade

nursing homes rose 26 per cent

from £3.24m to £4.09m and five

new homes are planned during

The recession remained a

drag on hotel profits which

the next 18 months.

Profits from St Andrews

volumes were slightly higher.

Vaux Inns, taking in the

holson, chairman.

at £36.6m.

Vaux was a bit unlucky to choose 1987 to launch a fiveyear plan for its hotels development. It has spent £178m and ended in a recession with its properties devalued by a third and half the profits it forecast. The last two hotels to be completed, at Bristol and Bexley, cost £58m and contributed £600,000 in operating profits last year. Having taken another £1m costs out of the operations, there is not much else to be done except pray for a speedy end to the recession. A deal of consolation, in the meantime, is provided by the rapid payback from strengthening the pub estate with acquisitions in northern England and by the improving prospects for the group's nursing homes. Analysts forecas profits of between £26m and

taken in June. £27m clean of property next year, and on a prospective p/e of 13.5 times rate the stock undervalued on the group's recovery potential.

Ewart gets go-ahead for Laganbank project

By Tim Coone in Dublin

SOME £20m in government finance for the Laganbank property development project in Belfast was approved yesterday, giving the go-ahead to Ewart, the project's lead developer, to begin contracting for an estimated £110m in con-

struction work. Mr Barry Gilligan, managing director of the Belfast-based company said: "This is excellent news for Ewart...the government has quite rightly recognised the importance of this huge capital investment to the long term future of the Northern Ireland economy." The development is the cen-

trepiece of the government's Laganside development plan and will include a new concert hall to be financed by the Belfast City Council, a 200-bedroom hotel, 400,000 sq ft of office space as well as retail space and car parking. The complex will be located near the Belfast City Hall.

Last month, Monarch Properties, the private property developer based in Dublin, sold its 29.2 per stake in Ewart for 80p per share, having failed in its attempt to take control of the board.

Whitecroft £0.73m loss better than expected

By lan Hamilton Fazey. Northern Correspondent

WHITECROFT, the Cheshire mini-congiomerate which has slimmed down to three core businesses, reported a pre-tax loss of £727.000 for the half year to September 30, compared with profits of £2.23m.

That was better than expected, but the company is sticking to its decision to pass its interim dividend, announced a few days before the end of the period, when it forecast losses of about £1m. A decision on the final dividend will be

The improvement over forecast was the result of revaluation of Whitecroft's pension fund, which actuaries said would be adequately funded at company contributions of £600.000 a year, compared with £1.3m previously.

The figure was struck after interest charges of £1.63m (£164,000). In previous years these were largely charged against property development and did not appear in the profit and loss account.

Turnover fell 4.6 per cent to £60.19m (£63.1m) for trading profits down 62 per cent to £904,000 (£2,39m).

Mr Peter Goold, chairman, said the group's two years of restructuring were now largely complete, with £3.6m of capital spending in the last six months, substantial cutting of the cost base and a reduction in numbers of operating units from 30 to 15. Losses per share were 2.89p. compared with earnings of

The payroll was 1,900, compared with 2,500 a year ago and more than 3,000 when Mr Goold became chairman late in 1990. He said marked improvements in cash flow and profitability were expected from January.

Gearing is 102 per cent and shareholders' funds declined £6.5m to £38.6m because of the loss and disposal of the group's double-glazing businesses.

Whitecroft now has lighting. doors and medical cotton fibres divisions, all of which are trading profitably.

Sage maintains growth record with 33% advance

By Alan Cane

SAGE GROUP, a Newcastlebased supplier of accounting software and stationery, finished the year slightly ahead of analysts' expectations, recording profits before tax of £8.85m, up 33 per cent on last year's 26.64m.

Sage has now shown significant growth in revenues and pre-tax profits each year since

The share price yesterday improved 21p to 455p.

The company also announced the acquisition of Yorkshire Business Forms for an initial £1.05m, made up of £525,000 cash and a similar sum in new ordinary shares.

Additional payments to a maximum of £2.95m will be paid over two years dependant on net profits in the period. Up to half the deferred payment may be made in shares. Turnover rose 36 per cent to

£27.3m (£20m) in the year ended September 30, of which fillm came from US operations. Earnings per share rose 21

per cent to 30.9p (25.5p) and the total dividend is raised 12 per cent to 9.02p (8.05p) via a final of 6p.

Cash balances rose sharply to close at £7.2m (£1.2m) but have now been reduced by the purchase of Remote Control International in California,

Ciel in France and Yorkshire

Business Forms. The company

remains strongly cash-genera-

During the year Sage decided to discontinue MainLan, its US operation which specialises in networking software - losses amounted to £400,000 of which £250,000 were closure costs. Sage will continue to market MainLan in the UK where it

has proved successful. DacEasy, a US accounting software company acquired two years ago, seems to be proving its worth with operating profits of £2.2m on sales of £10.2m.

COMMENT

Sage's strength and the secret of its ability to generate cash is its extensive customer list in the US and UK. It makes what it terms "annuity" -sales to these customers - upgrades and new versions of software packages and stationary. Abandoning the MainLan disaster in the US has removed one of the few downsides to Sage's progress. Others are a risk of a decline in UK packaged software prices to US levels and an over-ambitious acquisition strategy. Sage's management, however, has to date proved level headed - DacEasy, for example, is beginning to deliver its full potential. A rash of new products suggests that analysts' expectations of £10.9m pre-tax for 1993, giving an undemanding prospective p/ e of about 12, will not be disappointed.

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Butte accounts not ready for 1992 AGM

By Kenneth Gooding, Mining Correspondent

BUTTE MINING, which is claiming damages of \$325m (£214m) in the US against more than 70 former advisers, directors and investors, has told shareholders its accounts for the year to end-June will not be ready until next month but the Companies Act requires it to hold an annual meeting in

Consequently, the company has arranged its meeting for

December 29, to be followed by an extraordinary meeting early next year to receive and adopt the accounts.

Mr David Lloyd-Jacob, chairman, said that Ernst & Young, formerly Butte's auditors, resigned after being named as defendants in the US law suit and have been replaced by Arthur Andersen.

Substantial new work on the accounts was being carried out and it had not proved possible to prepare them in time for this year's annual meeting.

NEWS DIGEST

Turnround at Campbell & Armstrong

CAMPBELL & Armstrong, the shop and office fitting group. swung from losses of £849,000 to profits of £30,000 pre-tax for the six months ended Septem-

ber 30. Turnover slipped to £25.5m (£31.3m) reflecting a "more prudent approach to tendering" as overall margins

remained under pressure. There was an improvement in the core shop-fitting activities although the constructionrelated operations continued to

face challenging conditions. In view of the difficult prevailing trading environment the interim dividend is omitted - 1p was paid last time. Declaration of a final will depend on second half trading.

Earnings per share of 0.4p compared with previous losses of 4.5p. Extraordinary charges of £1,23m were connected to discontinued businesses, including a significant writedown of related property. The shares closed 3p higher

Recovery under way at Atkins

Atkins Group, the Leicestershire-based textile company, returned to the black in its seasonally unfavourable first half. Despite "extremely difficult general economic conditions" turnover for the six months to September 30 improved slightly to 17.69m and pre-tax profits amounted to £16,000, against losses of £268,000 last time restated to allow for new accounting standards.

Mr David Haggett, the retiring non-executive chairman, said: "With operating profits up, stable gross margins and overheads down, there is clear evidence that the significant changes carried out during the

last two years are yielding results." The improved performance should continue in the

second half, he added. The interim dividend is maintained at 3.6p, again uncovered by earnings of 0.33p (losses of 4.23p) per share.

Avesco back in the black with £23,000

Avesco, the radio and electronic goods and television and film services company, reported a pre-tax profit of £23,000 for the half year to Sep-

This compares with a profit of £147,000 last time but marked a turnround from losses of £2.26m for the 1992

Mr Richard Murray, chairman, said that profits for the first six months would have been substantially higher but for the increase in research and development expenditure at VideoLogic.

Turnover expanded by £1.6m to £11.2m. Finance costs rose to £308,000 (£269,000) and after tax of: £8,000 (£49,000) earnings came out at 0.025p (0.164p). The interim dividend is passed (0.5p).

Chiltern Radio £392,000 in red

For the period to September 80, Chiltern Radio reported its first full-year loss since it began broadcasting in 1981 after what Mr Peter Burton, chairman, described as another difficult year for the industry. He added that the company had been trading profitably in the present year.

On turnover of 25.27m (24.38m), which included a fullyear contribution from the west of England acquisitions, the pre-tax loss was £392,000 compared with a profit of £114,000. There was a £77,000 exceptional provision against. its investment in Independent Radio News.

Losses per share were 460 year to May 31 1993.

(1.5p earnings) and the final, like the interim, is passed. Last year's total was 2p.

Umeco declines to £53,000

Profits of Umeco fell from £68,000 to £53,000 pre-tax for the 26 weeks ended September 26.: Turnover of £5.56m compared with £5.42m.

Earnings slipped to 0.6p (0.8p) but the interim dividend is maintained at 0.75p "in viewof the strong balance sheet and the underlying strength of the company", the directors said. The USM-quoted company is

a maker of aircraft refuellers and a distributor of seals, sealants and components primarily serving the aerospace industry.

Safeland 'pleased' with fall to £36,000

In bleak conditions Mr Raymond Lipman, chairman of Safeland, the property company, said he was pleased with a profit of £36,000 for the six months to September 30. The figure compared with £81,000 last time Turnover increased from

13.26m to £5.99m. This signified an increase in the size of transactions rather than in number. Mr Lipman said the company was still being very selective in the projects it undertook. Earnings per share were

0.13p (0.28p) and the dividend is reduced to 0.06p (0.14p).

M&G Second Dual net assets rise 12%

Net asset value per capital share of M&G Second Dual Trust at November 30 was 452.77p, up 12 per cent on the previous 405.45p.

The split capital trust declared an unchanged interim dividend of 13.19p per income share for the half year to November 30 and forecast a final of at least 10.67p for the

BankAmerica Corporation Floating Rate Notes Due September 1995

US \$500,000,000

For the period from December 9, 1992 to March 9, 1993 the Notes will carry an interest rate of 4.15625% per sorraim with an interest amount of US \$103.91 per US \$10,000 printspal amount of Notice payable on March 9, 1993,

Bank of America MT & SA

CHARTER CONSOLIDATED P.L.C. NOTICE TO HOLDERS OF SHARE WARRANTS TOBEARER

wes declared of 7.00 per shale payable on ar after 18th January, 1993 to persons presenting coupon no. 56 descript fruit share variance to beaut. Coupons, which must be left for four clear days for campination, may be lodged any weekday (Saturday excepted) between 10mm and 3pm at the Securities Department of Bureleys Registeres, 168 Benchman Street, London PCRP 31P, or at Caulit Lyannais, 19 boulevard des Italicos, 75079 Paris, or at Bareleys Rank S.A., 21 nue fuffine, 75009 Paris, Listing Ignor may be obtained on application. 7 Hobert Place 25 December 1992

At a meeting of the Beart of Discence on 5th December, 1992 at statement dividend



PILLARS OF STRENGTH

Results for the six months to September 30, 1992	1992 Millions	1991 Millions
Turnover	£757.3	£812.9
Pre-Tax Profit	£80.3	£75.2
Dividends	£12.9	£11.7
Dividends Per Share	3.3275p	3.025p
Earnings Per Share	11.7p	11.1p



Siebe plc, Saxon House, 2-4 Victoria Street, Windsor, Berkshire SL4 1EN, England.

COMPANY NEWS: UK

Electricity group opposes one-year, coal-fired power deal East Midlands advances 23%

By Michael Smith

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33% advan

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EAST MIDLANDS Electricity yesterday reported a 23 per cent rise in pre-tax profits to £30.3m for the six months ended September 30.

At the same time East Midlands voiced opposition to a one-year, coal-fired power deal between electricity generators and the regional companies. Mr John Harris, chairman of

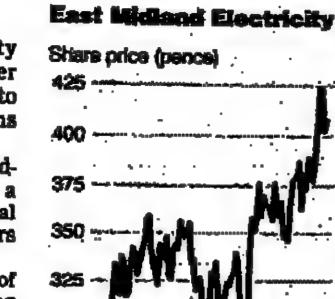
the company, which is leading heads of agreement talks with PowerGen and National Power, said he preferred five-year contracts because they would provide more stability for the coal and electricity industries.

A one-year deal would not provide assurances of falling prices in later years as would a five-year agreement. Mr Harris's comments follow

Heseltine, the president of the Board of Trade, that a one-year deal could be concluded, although he also said any review should not prejudice the outcome of the white

Mr Harris also said he was opposed to postponing the liberalisation of the electricity market from 1994 if that led to higher prices for custom-

Turnover for the opening



is stepped up to 5.72p, a 12 per cent increase on last time's 5.1p. Earnings per share

emerged at 10.1p (8.2p). Losses in the supply business were reduced from £35m to £20m, in part because of the recovery of uplift charges from last year but also as a result of customers taking contracts with a smaller price difference between winter and summer.

Distribution profits, made on steady volumes, were down

John Harris: more stability with five-year contracts

half year rose to £681.5m £4m to £60m and retail which being restructured as result of the joint venture with Yorkshire Electricity, lost £600,000, against a £600,000 profit in the comparable period

a year earlier. Mr Harris said retailing was profitable in the second quarter, however, and that there would be a small operating profit in the full year. Six small shops are to be

closed by next March leaving Contracting would incur a recs.

loss this year although in line with other recs East Midlands would soon feel the benefit of changed terms and conditions of contracting employees, the numbers of which have been reduced from 800 to 600.

The beauty of electricity for

investors is that it combines

COMMENT

safety with a strong dividend flow. The market's perception of East Midlands is that it is less safe than other recs and as a result the dividend yield is among highest in the sector. The company concerns critics through its individualistic stance. Mr Harris's propensity to stand up and be counted, as demonstrated by his comments on the one-year deal yesterday. matter less than the declared aim of seeking 30 per cent of profits outside of the regulated business by the year 2000 and the possibility that it will participate, albeit in a small way, with the Union of Democratic Workers in a bid for a part of British Coal. There appears little wrong with the non-core business but until it performs outstandingly East Midlands' shares, on a prospective yield of 6.3 per cent assuming a full year dividend of 19.15p, will struggle to catch up with other

Emess to sell Tenby for £22m

By Maggie Urry

acquisitions.

taken over.

by equity and borrowings.

and was "not afraid of debt"

of industrial manufacturing

and distribution, building prod-

ucts or food, and planned ini-

tially to buy in the UK. He

wanted a company with

By Roland Rudd

EMESS, the lighting and electrical accessories company. is to sell Tenby, the electrical manufacturer and distributor. to Legrand, the French electrical group, for £22m.

The divestment, which has to be ratified by shareholders at an extraordinary meeting on December 23, will reduce borrowings from £38m to \$16m, giving gearing of 23 per

Mr Michael Meyer, chairman, said the sale would allow the company to focus on its core businesses of consumer and commercial lighting.

The disposal has enabled Rmess to introduce an employee share ownership plan that will be used to buy back preference shares. When an employee option is

due, instead of issuing new shares, the company's Esop will buy preference shares and convert them into ordinary shares. Emess is intending to lend up to £3m to the Eson. Profits before tax and extraordinary items at Tenby for the 1991 year amounted to £2.1m. The consideration is based on 1992 trading profits which are expected to be about

Berisford losses at £22.3m

as acquisitions are sought

Mr Roy Hammond is to join BERISFORD International, the Berisford as operations direccommodities and property tor in January. Mr Bowkett group that nearly went into and Mr Hammond have receivership in 1990, is looking worked together in two other companies. Mr Peter Butler, to expand once more through the finance director who has overseen repayment of £1.5bn The group announced annual results yesterday, showing a of debt, is leaving in the new

loss of £22.3m before tax, against a £20.5m deficit in the Mr Bowkett said that all the group's problems had now preceding year to September been addressed and there were no more "black holes". All the The company has tax losses of £365m in the US, £40m in the off-balance sheet debt had been UK and £19m of advance corpobrought on balance sheet and ration tax which can be he anticipated an unqualified recouped. The US losses can be auditors' report on the used for up to 15 years but

would vanish if Berisford were At year-end net debt was £15m (£18.6m cash), but asset sales since then should give Mr Alan Bowkett, who joined as chief executive at the start of the year, said he was now spending 75 per cent of his planned which will leave the time looking to the future. Acquisitions would be funded group with four banks, compared with 68 banks when it Mr Bowkett said he was entered refinancing talks. "working very hard" on a deal, Shareholders' funds at the year end were £84.6m and have stabilised at that level since then. He was looking to buy in areas

Mr Bowkett said. Turnover fell to £130.5m from £694.2m, reflecting disposals. Mr Bowkett said the ongoing business had sales of sound product" and hoped for about £50m a year but central overheads, at about £5m a a friendly deal with the target's shareholders, if not year, were high for the size the faint hearted.

of business.

Pre-interest losses were £2.7m (profit £21.2m) and interest cost £900,000 (£19.6m). Exceptional items of £18.7m (£22.1m) included property write-downs of £16.3m. Extraordinary debits totalled £42.7m (credit £76.1m). There was a transfer from reserves of £67.1m (retained profit of

£62.1m). Losses per share were 4.9p (2.9p). The group is planning to consolidate its 10p shares into 50p shares to reduce the bid-offer spread and cut dealing

COMMENT

Berisford's survival in any form is a remarkable achievement. But assessing its future the company net cash by the as an investment is another new year. Early repayment of matter. The share price of remaining term debt is 18%p, down %p yesterday, is close to net asset value of 17p a share which, in the absence of profits and dividends, is probably about right. From here on the shares are highly speculative, depending on Mr Bowkett and his team picking a suitable first target and being able to attract investors to finance a large enough deal. If they succeed, and build on that achievement, the eventual prize will be the unlocking of the US tax losses. Not one for

BTP hits £10m with

Mr Frank Buckley, chairman, said continental Europe accounted for 33 per cent of group sales compared with 24 per cent in the same period of last year. First-half turnover rose by 20 per cent to

The new adhesives companies joined the chemical divi-

Most of the £6.3m capital spending went to the biocides division, which saw profits slip to £1.91m (£2.04m). Sales rose to £17.7m (£15.6m).

Mr Buckley said the most important growth trend lay in the switch from solvent-based to water-based materials, such as adhesives and paints. A new factory near Blackburn would next year start producing a bug-killing ingredient for the

water-based products. On the industrial side, the mainly UK profit declined to £1.83m (£2.15m) on sales of £26.2m (£25.3m). About 70 per cent of the sales were accounted for by the fall-arrest, safety equipment business. which was still growing. Another part of the division

A small amount of interest £767,000 net debt after a bulge

tle the BTP fan club.

help from purchases By Jane Fuller

BTP, the speciality chemicals company, increased pre-tax profits by 15 per cent to £10.1m in the six months to September 30 with the help of contributions from two French acquisi-

sion, adding about £700,000 to operating profit of £6.3m (£5.23m). The division had sales of £55m (£41.5m).

was being sold.

was received compared with £602,000 charges in the first half of last year. The £6.5m cash held in March turned into in capital spending to build the new factory.

Rarnings slipped to 6.96p (7.1p) but the interim dividend goes up to 3.25p (3.1p).

• COMMENT Nervousness about BTP's resilience caused the shares to underperform the market by more than 20 per cent since June. These results breathed relief into sentiment and the price gained 11p to close at 218p. The two thirds of sales outside the UK have limited recessionary damage so far, although the continental businesses are expected to face tougher conditions. Once again the group has integrated acquisitions well and next year the biocides factory promises to inject more organic growth. Annual pre-tax profit is forecast to rise from £18.2m to about Elim, annough earnings would do well to top last year's 14.81p - leaving this line a bit droopy since 1990-91. While a prospective multiple of 15 looks fair, there may be a bit more post-results applause. On a longer time scale, the company has a neat trick of converting froth into paper for acquisitions. With a smooth hand-over under way between Mr Buckley and his heir apparent, there seems little to unset-

Charter slips to £37.1m

CHARTER Consolidated, the industrial holding company in which Minorco, the investment vehicle of Anglo-American, holds 36 per cent, announced a slight fall in profits due to lower interest earnings.

Pre-tax profits fell from £38.5m to £37.1m in the six months to September 30. A seasonal cash outflow, and lower interest rates, cut Charter's net interest receivable by £2.5m to £5.8m as net cash fell £20m to Turnover increased 4.3 per

cent to £605.7m, helped by growth in the rail track equipment and building services divisions. Operating profits increased from £30.2m to

Pandrol International, which makes rail fasteners and track maintenance equipment,

Cape, the building products and services division. increased turnover 31 per cent to £127.9m but operating profits were unchanged at £6.4m.

Mining equipment reported unchanged profits of £2m while quarrying and mining increased profits slightly to £1.8m (£1.6m).

Johnson Matthey, the metals company in which Charter owns 38.4 per cent, increased its contribution to £12.7m (£12.5m).

Mr Nigel Robson, finance director, said capital expenditure increased from £9m to £11.9m. High average exchange rates, especially for the dollar, cost the company £175,000. There was an extraordinary profit of £1.4m on the writeback of prior-year provisions against an overseas investment, Mr Robson said.

Earnings fell to 21.8p (22.4p).

DIVID	ENDS	ANNO	UNCE	D	
	Current payment	Date of payment	Corres - ponding dividend	Total for year	Tota last year
Atkineint	3.6	Jan 20	3.6	-	7.6
Avescolnl	nii	-	0.5	-	0.5
Bogod Aint	0.2	Feb 3	0.2	-	0.7
BTPInt	3.25	Feb 11	3.1	-	8.85
Campbell/Armst'gint	nil	_	1	-	2
Carlton Commsfin	10.3	Арг 6	9.4	17	15.5
Charter Consint	7	Jan 18	7	-	21.5
Chiltern Radiofin	nit	-	1	រាជ	2
East Mid Electint	5.72	Mar 24		-	17.1
Eurocopy	0.5	Apr 6	2.9	1.6	4
Mansfield Brewint	4.4	B ngL	4	-	13,6
M&G Second Dual _int	73.19	Jan 8	13.19	-	23,8
Safelandint	0.06	Mar 16	0.14	-	0.28
Sagefin	6	Feb 26	5.35	9.02	8.05
Siebeint	3.3275	Apr 1	3.025	-	9.075
Sturgefin	5.5	Apr 6	11	8.25	16.5
Umeço §int	0.75	Feb 15	0.75	-	1.75
Vauxfin	6.1	Feb 16	6.1	9.35	9.2
WhitecroftInt	nit	-	3.3	-	. 4

CHASE is particularly pleased to have won three At taste of things-to come. Euromoney awards; this year; for excellence in swaps, global custody and underwriting emerging market debt. Because it; shows the market has acknowledged the result of the strategic decision we made three years ago: decide what you do best, and then focus on those areas to achieve excellence. It's a reliable strategy that works in business. And it works in finance. We matched our customers' needs with our inherent strengths and built our business in Europe on four areas: transaction and information services (InfoServ), corporate finance, risk management and private banking. We made a commitment to our clients in Europe to provide the financial tools they need now and to offer long-term solutions for the future. Euromoney's awards are a sample of the success our focus brought our clients. And just a taste of things to come - from Chase. CORPORATE FINANCE INFOSERV PRIVATE BANKING RISK MANAGEMENT CHASE MANHATTAN PROPE FROM THE EXPERIENCE

Issued by The Chase Manhattan Bank, N.A. a member of SFA and IMRO.

MIM cuts zinc output at Queensland mine

by Bruce Jacques in Sydney

ZINC PRICES rose initially on MIM Holdings, the Australian miner, has responded to sick world metals markets with cuts to zinc and lead production at its Mount Isa-Hilton complex in Queensland.

The managing director of MIM, Mr Norman Fussell, said the company would reduce output of zinc-lead ore by 15 per cent and the concentrator at the Hilton mine would switch to processing stockpiled copper converter slag.

"The decision to curtall zinclead mining acknowledges the developing weakness in world markets for those metals, aggravated by exports from former Soviet bloc countries," Mr Fussell said.

MIM is the second big Australian mining company to announce production cuts this month, Earlier, Western Mining Corporation said it planned changes at both its Kambalda and Leinster nickel operations, but did not spell out the exact

the London Metal Exchange yesterday to reach \$1,114 a tonne at one stage before traders reconsidered the news from MIM and recognised that the production cuts would not be substantial. Sentiment was also affected

by a rise of 15,800 tonnes in LME warehouse zinc stocks following a rush of arrivals in Rotterdam. This took LME zinc stocks to a fresh peak of

effect on output. Mr Fussell said despite the cuts, zinc and lead would

remain core businesses for MIM. "Market studies indicate that the long-term trend of growing demand for zinc and lead will resume after the recession and a window of opportunity in the market will arise about 1995-96," he said. "Hence, the decision of MIM

and its joint venturers to develop the McArthur River mine. We are confident that (As at Monday's close)

Aluminium	+3,575 to 1,487,300
Copper	+ 1,450 to 328,825
Lead	+2,375 to 204,025
Nickel	+774 to 64,966
Zinc	+ 15,800 to 394,850
Tin	-65 to 14,370

394,850 tonnes. By the close last night, the price of zinc for delivery in three months had reversed to \$1,088.50 a tonne, down \$5 from the overnight level.

the use of zinc will increase as an effective and economical anti-corrosion protector of steel and in other applications. while the future of lead will be linked to batteries, including the development of electric

 Hamersley Iron, the Australian iron ore miner, will reduce its workforce by 400 at its Pilbara operations in Western Australia because sales have been lower than expected since

Greenland refinery proposed

By Kenneth Gooding

A \$300m ZINC refinery might be built in Greenland to process some of the raw material which at present is shipped from the Canadian Arctic to Europe for refining.

Substantial quantities of zinc concentrate are produced in the Canadian Arctic and the supply is expected to increase in 1997 with the start-up of Metall Mining's Isok Lake project in the Northwest Territo-

Greenland's refinery, which would employ about 350 people and be built near the capital. Nuuk, would use cheap electricity from a hydroelectric facility which is nearing completion and will be in full production next year.

Mr Robert Gannicott, president of Platinova A/S, the company behind the scheme.

pointed out that Greenland was only half the distance from the Canadian Arctic compared to Europe - an important consideration when the Canadian mines had such short shipping seasons.

Nuuk is on Greenland's south-west coast which is kept ice-free all year by the Gulf Stream. It offers regular, scheduled shipping services to Europe and North America and considerable excess capacity in ships leaving Greenland which could accommodate refined metal, Mr Gannicott pointed

Platinova – a junior exploration company, quoted in Toronto with mainly Canadian and European shareholders has ordered a pre-feasiblity study of the refinery project from both Sherritt Gordon and Hatch and Associates.

in London during presentations by the Greenland government designed to encourage mining and oil companies to do more exploration. Mr Lars Emil Johansen, pre-

mier of Greenland, a country nearly the size of the US but with a population of only 55,000, was particularly enthusiastic about a high-grade gold deposit at Nalunag in the Kirkespir Valley. This was discovered recently by Nunaoil A/S, a company jointly owned by Greenland and Denmark, and Mr Johansen said he hoped the find would support a gold mine which could be producing from

Microdiamonds have also been discovered in west Greenland and RTZ, the world's biggest mining company, is at present concentrating its exploration efforts in the coun-

Mr Gannicott was speaking try on diamonds.

rejects **Scottish** milk merger

By James Buxton, Scottish

THE government yesterday rejected a proposed takeover by the Scottish Milk Marketing Board of the Co-operative Wholesale Society's milk business in Scotland, following a recommendation by the Monopolies and Mergers Commission yesterday.

Correspondent

The MMC ruled that the combined entity would be more efficient but might abuse its large share of the Scottish market by giving preferential treatment to its own commercial operations and raising prices for both raw and processed milk. These dangers would arise after 1994, when the Scottish MMB is likely to become a voluntary producers' co-operative.

The Scottish MMB, one of three milk marketing boards in Scotland, purchases milk from farmers and sells it for processing. It produces its own milk for retail sale under the Scottish Pride and Scottish Farm labels.

The MMC's decision could have a bearing on the future of the Milk Marketing Board in England and Wales, which the government also wants to see becoming a voluntary co-operative. The scheme, for which legislation is before parliament, is opposed by private dairy companies.

The MMC's decision will be seen as a victory for independent Scottish processors, who felt that the Scottish MMB was increasing its vertical integration in the Scottish market in advance of the shake-up in 1994, and expanding its liquid milk processing.

Yesterday the CWS said the decision had very little to do with the sale of its mlik operation in Scotland and "much to do with the deregulation of the milk marketing scheme". It said it was absurd that it had taken the Scottish Office and the regulatory authorities 18 months to come to this conclusion.

Government Caribbean gives Gummer mixed reaction to banana proposals

By Canute James

MR John Gummer, Britain's farm minister, made a burried trip through the Caribbean at the weekend to try to mollify growing regional concern over new UK proposals for the marketing of bananas when the single European market is created next month. In his wake, the reaction in

the region was mixed, with expressions of hope that the new proposals would guarantee the market access which the Caribbean producers want. following indications that Britain will suggest the EC use tariffs instead of quotas for banana imports.

Mr Gummer's whirlwind visit, in which he met representatives of the Jamaica and Windward Islands banana industries in separate meetings over two days, was intended to explain the proposals which Britain, as the EC president, hopes to present to next week's meeting of the community's farm ministers. A statement issued by the St Lucian government said the

Ecuador loses momentum By Raymond Colitt in Quito ECUADOR'S banana boom seems to have lost momentum with sales from the world's

largest exporter down considerably since June of this year. After a bumper crop allowing Ecuador to export 2.7m tonnes of bananas last year. this year's exports are projected to reach hardly 2.5m tonnes. Due to the fall in prices this year's earnings are calculated to be around US\$600m. down 25 per cent from last year. In June of this year exports were down by an average of 18 per cent compared to the same period last year.

Torrential storms caused by the Pacific current El Niño earlier this year flooded many plantations, significantly affecting the quality of the fruit and the per acre productivity. The areas most signifi-

stock of up to 1m tonnes.

posals which "addressed the concern of the Windward islands and other Caribbean producers and meet Europe's obligations enshrined in the Lome Convention, while not offending the terms of the GATT negotiations now approaching completion". The meeting in St Lucia was

Windward islands were "satis-

fied" with the new British pro-

attended by Mr John Compton. the prime minister of that island, and Dame Eugenia Charles, prime minister of Dominica, and ministers from Grenada and St Vincent. The statement said the Windward islands were "satisfied that the Gummer proposals represent a serious attempt to break the deadlock and provide a satisfactory solution to the banana

problem. Mr Marshall Hall, chairman of the Banana Export Company of Jamaica, said he would be surprised "if there is a change of direction on the banana policy at this late stage". He said that if this were so. Caribbean producers would insist that the provisions of the Lome Con-

cantly affected were the

coastal provinces of Guayas,

Manabi, El Oro and Los Rios.

In addition, productivity has

been affected by the Black

Sigatoka disease. Although the

spread of the disease has been

halted quite efficiently with

French technical assistance,

roughly 80 per cent of all crops

Agriculture, Mariano González,

the persistence of Sigatoka dis-

ease and the low productivity

level in general are due to the

insufficient agricultural tech-

nologies on a majority of the

country's plantations. Mr

Gonzalez estimates that out of

the 130,000 hectares currently

being cultivated, only 40,000

are properly irrigated, fertil-

ised or equipped with pesticide

Ecuador is keeping a close

eye on developments as the

According to the Minister of

are still affected by Sigatoka.

vention be respected.

The convention is a trade treaty between the EC and members of the African, Caribbean and Pacific (ACP) Group. The banana protocol of the convention says the EC will undertake to ensure that ACP banana exporters are left in no worse a position by changes in

the market for the fruit. "We have said to the British that it is clear nothing can be agreed by January 1, and that we therefore need a marketing regime which must be similar to the one in place now," said Mr Hall.

However, some industry representatives in the region say the "tariffication" of the market being proposed by Britain goes against earlier commitments that markets will be protected, and that this latest change will satisfy only the Latin American producers who have been arguing against the use of EC import quotas.

The minister told the House of Commons last week that the UK and France had planned "intermediate measures" to protect the exports of tradi-

· (cennot 000') shorts ('000 tonnes)

180 Line and Carried

European Community debates

replacement of its present

quota system for Latin Ameri-

can bananas. Exports to the EC

make up over 40 per cent of

Ecuador's overseas sales. The US market, Ecuador's largest.

is already saturated.

MINOR METALS PRICES

JENAMJIASONO

tional suppliers; and that the UK was not tied to any one method but was instead "tied to an end".

The European Commission had earlier suggested the use of quotas to guarantee the market of the traditional suppliers of the ACP group. But Mr Gummer is reported to have told the Caribbean political leaders and banana industry officials in the meetings over the weekend that no agreement on the Commission's proposal was possible because quotas were not acceptable to several EC members, including Germany, Belgium and Den-

Mr Gummer also told the Caribbean producers that in light of an expected agreement between the US and the EC on trade in farm products, a GATT waiver to allow banana quotas would be difficult, and that a "GATT-compatible" agreement on bananas was needed.

There will be no solution to the problem by the January 1 deadline, the minister said, but the UK had devised a plan which would allow Caribbean and other ACP banana producers some protection after the Europe single market was effected.

There is reluctance in the region to give details of what Mr Gummer proposed in the meetings. The British minister is reported to have explained to the Caribbean leaders and the banana industry representatives that the new proposals which would see tariffs on ACP fruit, with country-specific tonnages being allocated for fruit from ACP producers and with agreed quantities to be imported from other sources, mainly from Latin American countries.

Caribbean representatives in the several meetings told Mr Gummer that they preferred the original European Commission proposals for the application of quotas, but that if this were not possible, then they would be comfortable only if the tonnages for Latin American fruit were low, and the tariffs to be applied were high.

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A STATE OF THE STA

Anglo to invest in Chilean mine

By Leslie Crawford in Santiago

MINERA Mantos Blancos, the Chilean copper mine controlled by Anglo American of South Africa, plans to invest \$290m over the next five years to new deposit.

Mantos Blancos needs to double the girth of its open-pit mine near Antofagasta in the Atacama desert to reach the ore body's remaining reserves.

The expansion, which is expected to cost \$85m, will extend the life of the mine beyond the year 2010. Output is expected to remain steady at about

The company will also invest \$56m to switch production maintain production at its from copper oxides to copper existing mine and develop a cathodes, which are more environment-friendly.

75.000 tonnes a year.

In addition, Mantos Blancos is developing a second ore body called Mantoverde, which is expected to enter production in 1994 with an annual output

of nearly 40,000 tonnes. Mr Ricardo Martinez, Mantos Blancos' spokesman, says the company is still studying its funding options.

Mantos Blancos will have to find \$92m to pay for its share of the Collahuasi copper project should Royal Dutch/Shell and Falconbridge accept Minorco and Mantos Blancos as their new partners. Minorco, the Luxembourg-based associate of Anglo American, has made a \$185m bid for Chev-

ron's 33 per cent stake.

Mar

May

COCOA - London POX

Previous High/Low

660 659

707 681

722 700

Indian sugar output to fall

WORLD COMMODITIES PRICES

By Kunai Bose in Calcutta

INDIAN sugar production is expected to fall to 11.5m tonnes in the 1992-93 season, compared to last year's record 13.4m tonnes, following a 20 per cent shortfall in the cane crop, according to the Indian Sugar Mills Association (ISMA).

Delayed monsoons in all cane-growing states and the failure of sugar factories to

Litonne

clear cane hills of nearly Rs5bn Prices from Metal Bulletin (last (\$176m) forced growers to cut week's in brackets). ANTIMONY: European free the area under the crop from last year's 3.85m hectares. market 99.6 per cent, \$ per

tonne, in warehouse, 1,650-1,710 16.80). Since the current season has opened with stocks of 4.9m (1.660-1.720).BISMUTH: European free tonnes, total supplies will remain comfortable. The fedmarket, min. 99.99 per cent, \$ eral government has already per lb, tonne lots in warehouse. sanctioned export of 375,000 2.25-2.45 (same). CADMIUM: European free tonnes of sugar, but has not yet agreed to create a buffer

market, min. 99.5 per cent. **\$** per lb, in warehouse, 0.45-0.55

(0.50-0.60). COBALT: European free market, 99.5 per cent, \$ per lb. in warehouse, 15.60-16.60 (15.80-

MERCURY: European free market, min. 99.99 per cent. \$ per 76 lb flask, in warehouse. 120-140 (125-140).

MOLYBDENUM: European free market, drummed molybdic oxide, \$ per lb Mo, in ware-

house, 1.85-1.95 (1.90-2.00).

SELENIUM: European free market, min 99.5 per cent, \$ per lb, in warehouse, 4.80-5.50 TUNGSTEN ORE: European

free market, standard min. 65 per cent. \$ per tonne unit (10 kg) WO₃, cif. 40-50 (45-55). VANADIUM: European free market, min. 98 per cent, \$ a lb V₂O₅, cif. 1.75-1.85 (same). URANIUM: Nuexco exchange value, \$ per lb, U₃O₂, 7.90 (8.00).

MARKET REPORT

London COCOA took a sudden dive on what traders said was fund liquidation. After ending the morning with moderate losses, the market plunged after the New York March contract breached first \$1,000 and then \$980 in early trading. "A significant trend line was broken in London, precipitating the sell off here," said a commission house trader. "The fall was exaggerated by sell stops because there is no fundamental news out today," A London trader said that people had got "rather complacent really. We're going to need something quite

London Markets SPOT MARKETS

Crude oil (per barrol POB)(Jan)

Dubes	\$15.65-6.05u	-0.10
Brent Blend (dated)	\$18 05-8.1Su	125
Brent Blend (Jan)	\$18,00-8.05	-,125
W.T.I (1 pm est)	\$18.95-9.00u	-0.15
Oil products (NWE prompt delivery per	tonno CIF	
		+ or
Premium Gasolino	5192-194	-1
Ges Oil #	\$176-178	+0.5
Heavy Fuel QII	\$73-76	-2
Naphtha	\$175-176	+0.5
Petroleum Argus Estimates		
Other		+ or
Gold (per tray oz)	\$335.75	+0.6
Silver (per troy oz)-	377.50c	+3
Platinum (per troy oz)	\$369.2	+ 3.7
Palladium (per troy oz)	\$109.25	+35
Copper (US Producer)	103 Sc	+25
Load (US Producer)	34.625c	
Tin (Kuela Lumpur market)	_	
Tin (New York)	267.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weightf	114.97p	F 3.3
Sheep (live weight)†	80.79p	+ 5.42
Pigs (Tive weigtx)†	86.66p	+ 1.17
London daily sugar (raw)	\$212.7w	-63
London daily sugar (white)		-0.3
Tate and Lyle export price	22 41.5	-85
Barley (English foed)	£138.0z	
Maize (US No. 3 yellow)	£155.0	
Wheat (US Dark Northern)	Unq	
Rubber (Jan) 🎔	61 75p	0.75
Rubber (Fab) *	62.00p	-0 75
Rubber (KL RSS No 1 Jan)	226m	+0.5
Coconut oil (Ptulippines)§	\$470 Ov	
Action that is an experienced to		

£ a tonne untesa otherwise stated. p-pence/kg. e-cents/ib. r-ringgit/kg. y-lantfeb u-lan, w-Dec/ Jan. z-Jan/Mar. 1Meat Commission average taistock prices," change from a week ago \Underdom physical, \Underdom Rotterdam. \underdom Bullion market cioso, m-Majaysian Gents/kg. - Sheap prices are now live weight prices.

Gas Oil Price for 3/12/ 1892 174-176 down 2

54.05c

new to shake up some buying." New York arabica COFFEE prices were lower at midsession. but holding support after a rise in warehouse stocks. London's March robusta contract fell back below \$1,000 a tonne. "Both London and New York are looking to consolidate but London is running into more origin selling," one dealer said. Three-month NICKEL advanced further on the LME, but profit taking and chart selling were evident above \$6,000.

SUQAR	- Lond	M POX	(\$ per lone
Raw	Close	Provious	High/Low
Mar	185 00	186.00	184.20
May	190 00	193 00	192.00
White	Close	Previous	High/Low
Mar	249.10	251.20	252.20 248 30
May	252.20	254,20	254,30 251,40
Aug	257.60	260.00	260.00 257 60
Oct	243.80	246,50	247 50 243 60
Dec	245.60	249.50	249.00 246 50
Mar	249.50	252.50	249.50
	OIL - IF		Sibarro
	Lates	t Provio	us High/Low
Jan			
_	Lates 18.01 17.96	18.24	18.31 17 99 18.24 17 97
Feb	18.01	18.24 10.16	18.31 17 99
Feb Mar	18.01 17.96	18.24 10 10 18.16	18.31 17 99 18 24 17 97
Feb Mar Apr	18.01 17.96 17.95	18.24 18.16 18.16 18.12	18.31 17 99 18 24 17 97 18 20 17 97
Feb Mar Apr May	18.01 17.96 17.95 18.12	18 24 10 16 18,16 18 12 18,12	18.31 17 99 18 24 17 97 18 20 17 97 18 12 18 03
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SALUDARI SIASI ISSASSI WAS OI 100 (DINIA3
Spot and shipment sales in Liverpool for the west ended 4 December amounted to 116 tennes against 20 tennes in the previous west. Improved demand brought moderate purchases mainly in Mair and Syrian descriptions. Central and South American growths made some headway
Dec/Jan C and F Dundee BTC USD 356 BWC USD 370 BTD USD 320 BWD USD 330 C and F Antwerp BTC USD 335 BWC USD 335 BTD USD 310 BWC USD 310.

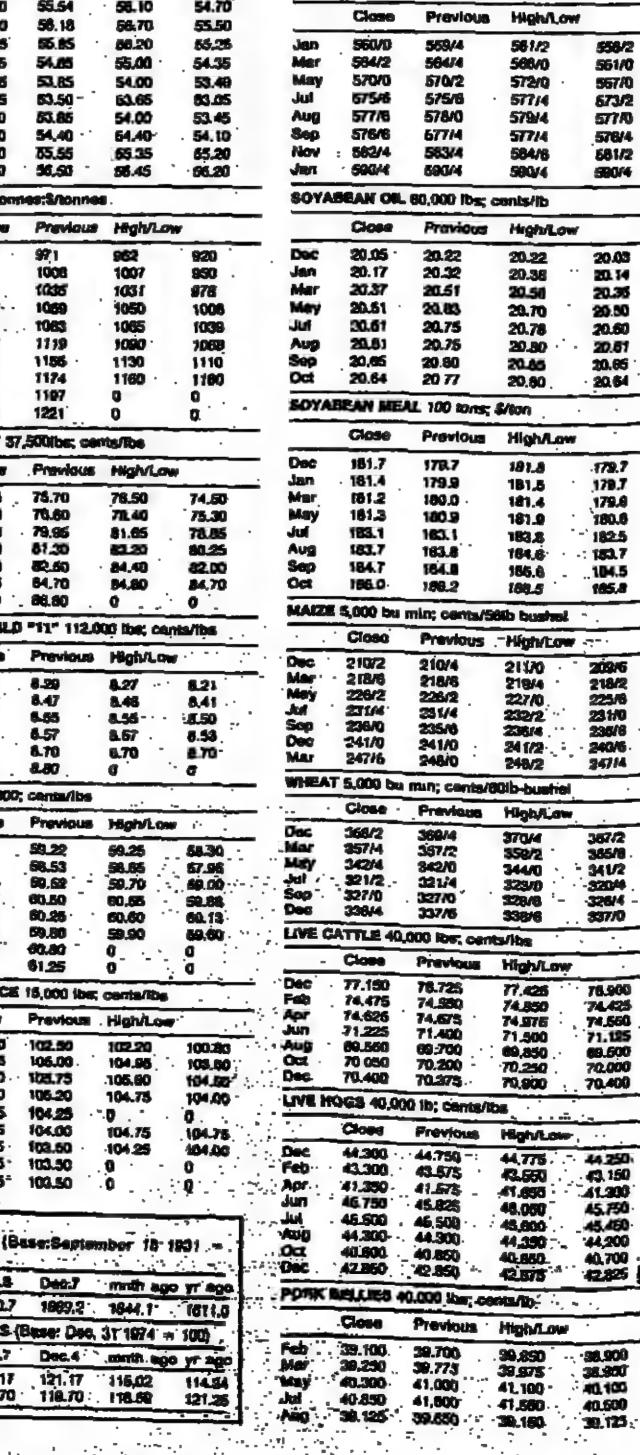
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Apr 746 U0 146 00 136 60 136 60 136 60 136 60 136 60 136 60 136 60 136 60 136 60 136 60 136 60 136 60 136 60 136 60 136 136 136 136 136 136 136 136 136 136
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Apr 746 U0 146 00 Jun 136 60 136 60 Furnover 100 (0) lots of 20 tonnes
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SOYAMEAL London POX Wonn
Turnover 30 (24) tals of 20 tanners
May 690 695 895 885
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POTATOES London FOX Monn
ICO indicator pricos (US cents per pound) fo Dec 7 Comp. daity 62.43 (62.25) 15 day averag 59.88 (59.51)
Furnaver 1998 (2981) talk of 5 tennes
Nov 1010 1010 1010
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May 989 996 995 990 Jul 986 956 996 981
Mar 999 100? 1005 992 May 989 996 995 980
Jan 984 996 995 981
Close Previous High/Low
COFFEE London FOX S/tonn

39 88 13	59 51)		25) 15 day		(Prices suppli		- FIGURE	043107	_
					Gold (tray az	\$ price		¢ equit	rà
POTAT	OES I	Josefon FO	K	Monne	Close	335.60-3	35,90		
	Close	Presidits	High/Low		Opening No.	336.00-3	35.40	210.055	
Apr	62.5	62 3	62 9 62 0		Morning flx Alternaon lex	335.25		210.056	_
May	69.0	69.5	69 5 68 5		Day's high	336.20-3	36.50	ded-se	
Jurnavi	91 30 124	tals of 20	lonnes,		Day's fow	334.70-33	35.00		
					Laco Lan Me				Y
SOYAR		London PQ		Utonne	f month 2 months	1.84 1.84		MINE TO THE	
	Close	Providus	High/light		3 months	1.85			_
Doc	147 00	148 (0)	147 00		Silver fix	pringy of		US ats	0
Apr Inst	745 (4) 136 60		146 00		Spot	236.50		377.50	
Jun		<u> </u>	136 50		3 months	235.35		379.05	
Turnove	ar 1 0 0 101	lots of 20	tonnes		6 months	242.30 250.00		382.50 380.35	
PREIG	it Lo	ndon FOX	\$10/Ind	lar point	GOLD COINS			_	_
	Close	Privious	High/Low			S price		E equi	VĮ.
Dec	1335	1371	1339 1334		Krugerrand	334.50-	_	208.00	_
Jan Freb	1302 1290	1289 :280	1306 1396 1390		Maple legt	345.30-		200,00	-
Apr	1260	1253	1265 1260		New Sovereig			48,00-	iQ,
Jul	1117	1115	1117						
Oct	1312	1328	1315 1312		TRADED OP	TONS			
8F1	13-46	1342			Alumhaium (99	756)	Çalis		A
Lnuovo	n 113 192	7)			Strike price \$	tonne Ja	n Apr	Jan	_
ORAIN!	B - Lone	ton FOX		Cronne	1150 1175	50		4	
Wheat	Gloss	Providus	High/Low		1200	32 18		11 22	
Jan	131 65	131 85	131 70 101	60	Copper Grade	Al	Calls		Pi
Mar	133.20	133 20	133 40 133		2100	12	1 137	3	_
Maly	135 40	135 30	135 40 135.	_	2150	75	_	5	
Jun	136 30		136 30 136	36	2300	38		18	
Sarley	ويجدي	Previous	HIGHIZON						_
Jan	130.00	130 /0	130 00		Colleg	Ja	n Mai	Jen	
Mar	131 90	132 70	132 25 131		950	39	67	5	
YEN	134 40	134 70	134 40 134	30	1000	10	39	26	
			Barley 56 (2	58)	1050	3	21	68	
Turnave	r luis of	100 Tannes			Cocos	Me	r May	Mar	
					650	1	75	16	
PIGS	London	FOX (C	ish Sozileme	mi) p/kg	675	6	60	28	
	Clase	Previous	High/Law		700	26	47	43	
lan	102 0	102.3	101 5 101 0		Brend Crude	Jai	Feb	Jan	_
I EN	102.5	102.3	102.0		THE PERSON NAMED IN				T
lpr	1010	102.9	102 3			•			
(Urnovo	16 (14)	ions of 3.256	a kg	- 1	المذهل		1	.(-
				1	LIPUI	100	ol	J	L
									-

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading High/Low AM Official Kerb close Open Interest Previous Close Aluminium, 99.7% purity (\$ per fonne) Total daily turnover 30,592 lots 1182.5-3.0 1206-6.5 1182.5-3.5 1182.5-3.5 1183/1183 1210/1207 3 months 1206-7 1206-6.5 1207.6-8 183,839 lots Copper, Grade & (£ per tonne) Total daily turnover 37,793 fots 1372-3 1395.5-8.0 1353.5-5.5 1390-1 1373/1373 1408/1395 1414-4.5 1408-7 154,034 fots 1407-9 3 months Total daily turnover 1,987 fots lead (C per tonne) 269-9.25 289.5-0 5 288.5-9.5 289.5/249 289-300 301/299 300-0.5 298-300 . 27,480 lots 300-1) months Total daily turnover 12,418 los Vickel (\$ per tonne) 5865/5865 6060/5920 5860-5 5845-50 5665-75 41,016 Jobs 5940-5 months Tim (\$ per tonne) Total daily turnover 3,274 lots Cash 5820-30 3 months 5870-80 5800/5800 5880/5850 5800-2 5855-60 5770-80 5825-30 5860-70 10,302 loss Total daily turnover 29,115 lots Zinc, Special High Grade (\$ per tonne) 1072.5/1072.5 1112/1081 1092-3 1075-8 1093-4 ash 1088-9 months 1088-9 1081-2 72,782 lots LME Closing E/S rate: SPOT 1 5960

nins: 1.5	1.5828 5 months: 1.5705			9 months: 1.661		
		Ne	w Y	ork		. -
schild)						
£ equive		OOL	100 troy	oz.; S/bray o	oz.	
r' ednis	Eleny .		Close	Previous	High/Low	
		Dec	335.4	336.1	336.0	336.0
210.056		Jen	385.9	336.6	0	- 0
209.597		Feb	336.3 337.5	337.0 338.2	336.7 537.7	535.B 537.2
		Jun	339.0	339.6	339.5	338.8
		Aug	340.6	341,4	0	0
Rates (1	/* US\$)	Oct	342.3 344.1	343.2 345.0	343.8	0 343.9
ON LEVEL POR	2.17	Feb	346.3	347.2	0	0
CUNO	2,50	PLAT	INUM 50 t	roy az S/tro	y oz	
			Close	Provious		
US cos (Nouth	Jan	370.0	371.1	374.0	360.9
377.50		Арг	388.3	369.4	372.8	0.88C
379.05		Jul	387.3	368.4	971.0	365.0
382.60 380.35		Oct	308.5	370.4	371.0	370.0
900.22		SELVE		by oz. centi	natoh as	<u></u>
			Close	Previous	High/Low	
	-11	Dec	373.9	375.3	375.0	374.0
£ equiv	_	Jan Feb	374.8 376.4	376.1 377.9	376.0	375.0
208.00-	210.00	Mar	377.3	378.8	0 380,0 · ·	377.0
48,00-50	5.00	May	380.1	361.6	382.0	361.0
40.00-01	4.00	Jul	382.7 385.5	364.2	364.0	382.5
		Sep	390.0	387.0	367.0 391.5	387.0
	uis .	Jan	391.2	392.7	0	0
		Mar	395.2	396.7	0	0
Jan	Apr	HIGH	GRADE C	OPPER 25.0	00 fbs; cen	ts/ths
4	11		Close	Previous	Hankow	
11 22	19 29	Dec	98.30	98.75	99.05	96.20
		Jan	96.70	28.10	20.30	98.80
	ants.	Feb	98.16	99.35	98.20	29.30
3	7	Mar	99.85	99.95	100.25	99.40
5 18	16 32	Apr May	100.25	100.35	0 fg1.00	100.20
10	-	Jun	100.55		· D	Q
Jen	Mar	Jul	100.90	101.35	101.60	100.90
_		Aug	101.20	101.65	0	0
5 26	18	Sop	101.55	101,95	102.10	102,10
58	72	CHU	E Of (Lig	M) 45'000 N	is galls \$/b	artel .
			Letoet	Provious	High/Low	· ,·
Mau	May	Jen	18,91	19.18	19,31	T8.69
15	23	Feb	19,00	19.24	19,35	19.00
25 43	33 45	Mar	19.12	19.30	19.36	12.12
~	~	Apr	19.22	19.26	19.43	19,19
la-	T-h	May	19.32	19.36	19.46	19.27
Jan	Feb	Jun Jun	19.25	19,40	19.47	19.27
		Aug	12.30	19.42	19.48	19.31
		Sep	19.30	19.44	19.48	19.30
' <u></u>		Oct	10.32	19.45	19.40	19.32
2 1 6						

		-			1 10	iicag			
	Luiest	Previous	High/Lo		SOY	LBEANS 5.	000 bu min;	cente/601b ti	wahe
lan Fab	55.00	55.54 58.18	56.10	54.70		Close	Previous	High/Low	
ter	55-35	55.85	56.70 56.20	55.50 55.25	Jan	560/0	559/4		
~	54.35	54.65	55.00	54.35	Mer	584/2	564/4	561/2 566/0	55 56
ây	53.55	53.85	54.00	53.49	May	570/0	570/2	572/Q ·	55
Z)	63.05	63.50	63.65	83.05	Jul	575/6	575/6	577/4	67
1	53,50	53.85	54.00	53.45	Aug	577/6	578/0	579/4	57
UG	54.10	54,40	64.40	54,10	Sep	576/6	677/4	577/4	57
ep.	55.20	85.55	65.35	65.20	Nov	: 582/4	583/4	584/6	58
d	56.20	56,50	56.45	56.20	Jen	590/4	590/4	59Q/4	50
)CO	A 10 tonn	es:\$/tonned	l.		SOYA	SEAN OIL	60,000 lbs;	conts/lb	
	. Close	Previous	High/Lo	W		Close	Pravious	High/Low	
5 0	914	97,1	962	920	Dec	20.05	20.22	20.22	20
ar	951	1008	1007	950 .	Jan	20.17	20.32	20.36	20
4y	880	1035	1031	978	Mar	20.37	20.51	20.50	20
4	1007	1059	1050	1006	May	20.51	20.83	20.70	20
Þρ	1031	1083	1065	1038	Juf	30.61	20.75	20.78	.20
P.C.	1067	1119	1090	7069	Aug	20.81	20.75	20.80	20
ar .	1103	1156	1130	1110	Sep	20,65	20.80	20.65	20
ay a.	1180	1174 1107	1160	1180	Oct	20.64	20 77	20.80	20
P	1207	1221	0	0	SOYA	BEAN ME	AL 100 tons;	\$/ton .	
ж	Œ "C" 37.	500ibs; cen	ts/Rbs			Close	Previous	High/Low	
	Close	Previous	High/Lox	W	Dec	181.7	170.7	181.8	-17
<u> </u>	76,46	74.70	70.00		Jan Mar	181.4	179.9	1B1,5	17
v	78.00	75.70	76.50	74.50		181.2	180.0	181.4	,17
ký		76.60	78.40	75.30	May	161.3	180.9	187_0	18
7	81.60 83.00	79.95 81.30	81.65	78.85	Jul Aug	183.1	163.1	183.8	18
i D	84.40		83.20	80.25	Sep	183.7	163.8	184.6	: 15
e	86.55	64,70	84.40	82.00	Oct	184.7	164.0	185.6	. 10
ř	88.20	86.80	84.80	84,70	_		186.2	189.5	16
IGAI		*11" 112.0	10 lbe; ce		MAIZ	Close	min; cents/5		٠.
	Glase	Previous	High/Los		Dec	210/2	Previous 210/4	211/0	20
er	8.25	8-20	8.27	8.21	Mar '	- 218/6	218/6	218/4	21
Ŋ	5.46	8.47	8.46	8.41	May	226/2	226/2	227/0	22
ľ	8.54	6.55	8.55	5.50	Jul Sep	231/4	251/4	232/2	23
ž.	6.56 .	6.57	8.67	5.53	Dec	236/0	235/6	236/4	23
M	8.06	8.70	6.70	ē.70	Mar	247/6	241/0 · 248/0	248/2	- 240 240
y	8.75	8.80	g	•	WHEA		min; cents/6		37
116	N 50,000; Close	Previous	High/Los			Close ·	Previous	High/Law	
					Dec	368/2	369/4	370/4	367
¢	58.41	59.22	59.25	58.30	Mar	357/4	357/2	359/2	365
r. Y	98.48	68.53	58.65	. 57.96	May	342/4	342/0	344/0	341
y	59.65 80.53	50,62°	59.70	60.00	See	327/0	321/4	323/0	-37
t	60.25	60.50 60.25	60.60	59.88	- Dec	338/4	337/6	328/8 '- 338/6	-320
C	58.89	59.80	59.90	59.60	. LIVE C	ATTLE 40	.000 lbs; cen		
r. Y	60.66°° 61.18	60.80	0	0	· —	Close	Previous		_
		61.25	0	0	Dec	77.150	76.725	High/Low	
ANG	AL AURCE	15,000 ibe;	сепів/ійє		Feb	74,475	74.550	77.426 74.850	76.
•	Close	Previous .	High/Los		Apr	74.626	74.673	74.975	74
					Jun	71.225	71.400	71.500	71.
,	102:00	102.50	102.20	100.20	Aug	69.560	69.700	69,850	69.
	105.60	105.00 · · · · · · · · · · · · · · · · · ·	104.95	103.50	Dec	70 050 70.400	70.200 -	70,250	70.
	104.50	105.20	.105,60 104.75	104.00	1 1 1		70.275	70.900	70
	109,55	104.25	0	0	HAR M		0 lb; cents/I	58	
,	103.65 103.65	104.00 103.50	104.75 104.25	104.75	-	Close	Frevious	High/Low	
•	103,55	103.50	0 -	104.00	Dec	44.300 .		44.775	44
	103.65	100 00	0	0	- Feb	43.300	43.575	43.550	43.
				A	Jun	41,350	41.575		41.
					اللاح ،	46.750	45.825 45.600	48.050	45.
	CES	_	- :-	.,.	AND	44.300	46,500	45,600	45.
izi)	1542 (B	se:Septen	iber 18-1	1931	Oct	40.600	44.300 40.850	44,350	44.
00)		/		() - () s	Dec	42.B60	42.850	40,650. 42,675	40.
<u>.</u> ,	Dec.8		mith ag		PORK		0.000 lbs; co		744
, (1)	1660.7	1989,2 ·		1611,0		Close	Previous	High/Low	<u> </u>
~ ~		tese: Dec.			Feb	39.100			<i></i>
	Dec.7	Dec.4	,व्यवधि स्टूर	o ur ains			39.700	. 39.850	-38.
•				720	Diego.	- Col. 17-18-1	30 770	707 mms -	
ot .	121,17	121.17	115,02	114.54	Mar	39,250	39.773 41.000	39.975	38.



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Hopes that the past few years' political and economic turbulence is over have been buoyed by early signs of business recovery and the conclusion of a North American free trade deal. But the future is not yet assured, writes Bernard Simon

Adjusting to realities

sizing up Canada as one of the more eventful years in its recent history draws to a close.

One view is that this is a country whose best years have passed; a society which has grown fat and lazy, and become so preoccupied with parochial squabbling that it has lost sight of the cut-throat world beyond its borders.

The other view is that Canadians have begun to sit up and take notice of the challenges facing them. They are anxious to put aside the constitutional wrangle of the past few years, and to get to grips with the economic problems which threaten their enviable standard of living. If this is true, Canada's best years could yet lie ahead.

Evidence abounds to support both scenarios. On the one hand, Quebec separatists. regional forces in western Canada and other special interest groups have been emboldened by the voters' decisive rejection in a referendum last October of a constitutional deal which was supported by almost all the country's mainstream politicians.

This political fragmentation could be reinforced in the next general election, which is likely to be called for the late summer or early autumn of

A strong showing by the separatist Bloc Quebecois and by the western-based Reform Party would deprive either of the two main parties, the Progressive Conservatives (who have been in office for the past eight years) or the Liberals, of a clear mandate. A minority government would probably be so comfortable.

HERE are two ways of nomic and social issues by the political juggling needed to stay in office.

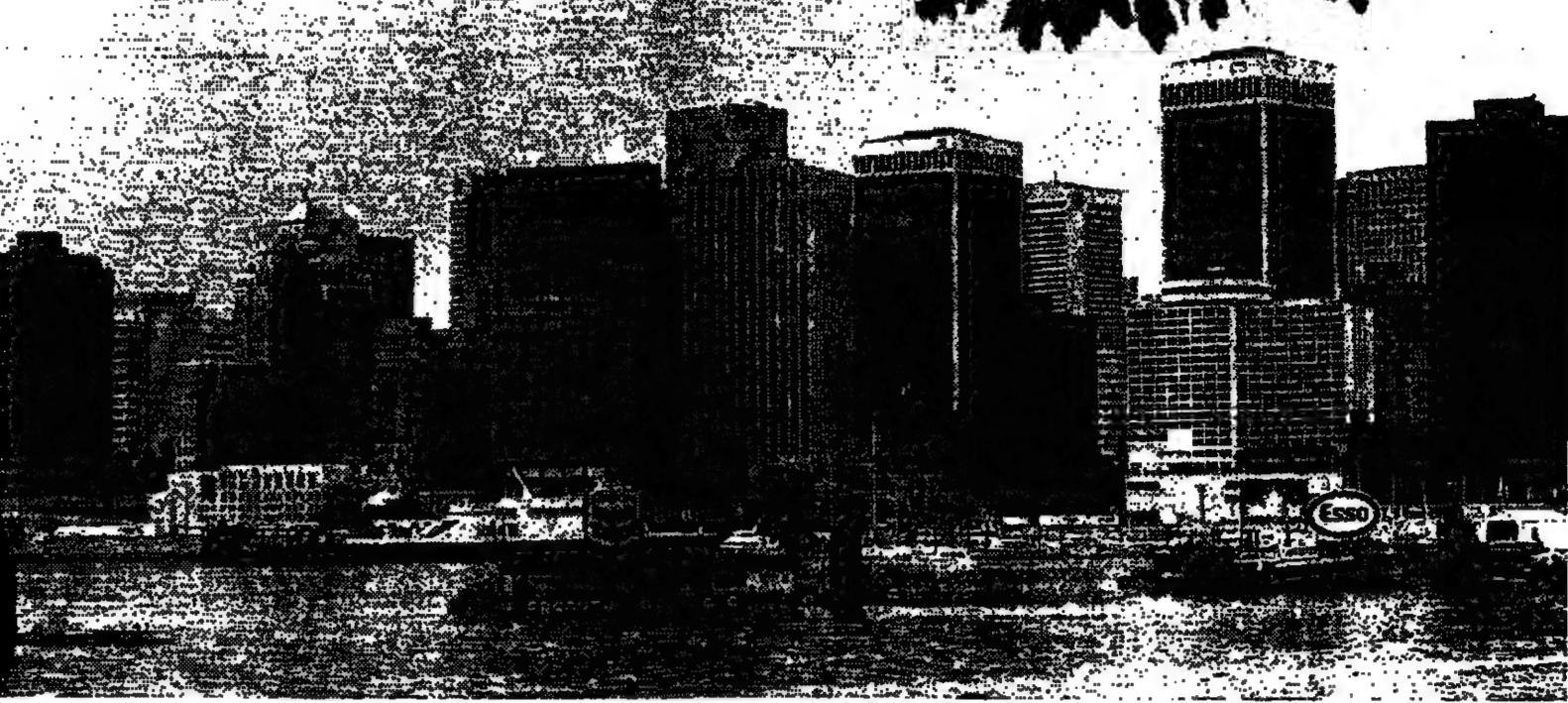
> On the economic front, the world is no longer beating a path to Canada's door for raw materials. British Columbia's spruce and cedar forests may still be among the finest in the world, but buyers can find trees which grow much faster elsewhere these days, and are cut and processed by cheap. non-union labour.

Tough environmental laws and other forms of bureaucratic red tape have made Canada less attractive to mining companies than it used to be. The rich cod stocks on the Grand Banks of Newfoundland have all but disappeared. The productivity of Canadian

workers has grown more slowly than in any other OECD country over the past decade. One in three pupils drops out of school, and there is widespread dissatisfaction with the quality of education and worker training.

To make matters worse, a decade of free-spending federal and provincial governments has left the public sector burdened by towering budget deficits and debilitating debt-service payments. The federal government, which keeps promising fiscal restraint, ended up with its second-biggest deficit ever in the year to March 1992.

But any effort to restore fiscal discipline must contend with growing public resistance to an already-heavy tax burden. At the same time, Canadians show little inclination to sacrifice the social security net and the panoply of services which make Canadians' lives



The downtown area of Vancouver, the state capital of British Columbia

lems, the picture of Canada at the end of 1992 is not entirely gloomy. The very fact that six out of 10 provinces voted No to the Charlottetown constitutional deal (and a seventh. Ontario, which is the most powerful province, was almost evenly split), has raised hopes that the country may not be about to fail apart.

The bruising referendum campaign has left remarkably few scars. Most Canadians seem simply relieved that the divisive and arcane debate about the constitution has disappeared for the time being from the evening news.

Most crucially, the No side's victory may not have given the Quebec separatists as much of a boost as most political commentators predicted.

Recent opinion polls show that support for independence is flagging in the francophone province. There is no question of Quebeckers feeling betrayed by English-speaking Canada's rejection of the constitutional deal, as was the case when Manitoba and Newfoundland scuttled the Meech Lake accord in 1990.

While Quebeckers made the Meech Lake agreement a litmus test of their acceptance by English Canada, some 56 per cent of them voted against the latest set of reforms.

does not appear to have done lasting political damage to Mr Robert Bourassa, Quebec's crafty premier. Mr Bourassa, often accused in the past of taking an ambivalent stand on sovereignty, came out unequivocally during the referendum campaign as a champion of a

united Canada. Meanwhile, two recent economic developments are forcing Canadian managers and workers to adjust to the realities of global competition. The first is the ultra-tight monetary policy followed by the Bank of Canada between 1988 and 1991 Soaring interest rates and a

climbing Canadian dollar pushed the economy into an unexpectedly severe recession. That has brought inflation down to an annual rate of slightly over 1 per cent, the lowest among the G7 nations. It has also squeezed the pips of Canadian business, especially manufacturing.

One example: Dofasco and Stelco, the two biggest steelmakers, have piled up combined losses of C\$1.3bn since 1990.

The second jolt has come from the US-Canada free trade agreement, now nearing its fourth anniversary. The provisions of the FTA are relatively modest in terms of lowering trade barriers. They centre on eliminating customs duties between the two countries by 1998 (most of which were already low) and guaranteeing

But coinciding with the unexpectedly severe recession. the FTA has given Canadian industry a shrill wake-up call. One company after another is freezing or rolling back wages, combining two or more small high-cost plants into a single efficient one, and searching for ways to reverse the long slide

in worker productivity. Mr John Crow, governor of the Bank of Canada, summed up the pluses and minuses of the economic shocks in a recent speech: "While in the short run, restructuring can act as a drag on demand, the future benefits of doing things smarter are enormous."

With the divisive referendum

appear, the big question is which of the above, radically different views of Canada's future will turn out to be closer to the mark.

(photograph by Glyn Genin)

Judging by their recent performance, financial markets lean towards pessimism. Pressure on the Canadian dollar has been intense since early September. Despite constant intervention by the Bank of Canada and a steep rise in short-term interest rates, the currency tumbled from aimost 83 US cents to less than 78 cents in less than three months.

Standard and Poor's recently lowered its Triple-A credit rating on federal government

Inflation has fallen - but guiding the economy towards smooth recovery will not be easy Plus: Weaknesses that hamper competitiveness The BCE stake in Mercury Page 2 Key lacts

The North American free trade agreement: there are some flies in the ointment but it is no longer such a hot potato

Quebec is marshalling its energies to restore its economic vitality Plus: protectionism rules in the provinces Food processor shaken up Page 4

in the past two years. Canadian pension funds and other institutions are putting a growing proportion of their funds either into foreign markets or into Canadian companies, such as Seagram and Northern Telecom, with large foreign operations.

Next year's federal election could prove pivotal in assessing Canada's iong-term prospects. The outcome at this stage is wide open.

The popularity of the Conservative government remains at rock-bottom. It is paying the price for presiding over the difficult times of the past few years and for Canadians' intense dislike of Mr Brian Mulroney, the prime minister.

Mr Mulroney remains confident however, that he can bounce back during 1993 as the economy starts to pick up, and Canadians appreciate the long-term wisdom of his party's policies.

The Tories have already indicated that, if re-elected, they plan to tackle some thorny

Continued on next page

Profile: ROBERT BOURASSA

Federalist fights on

"A BATTLE is over but the war continues", declared Mr Robert Bourassa, 59, as the Quebec premier conceded defeat in the October 26 refer-

For Mr Bourassa, the war is the 30-year struggle to define an acceptable place for Frenchspeaking Quebec within Canada and his own campaign to contain the forces of separat-Mr Bourassa, only 36 when

he first became premier in April 1970, has been publicly derided by Mr Pierre Trudeau, the former federal prime minister, called a closet separatist by Anglophones, and accused of capitulation by Mr Jacques Parizeau, the Parti Québecois opposition leader.

Mr Robert Rae, the Ontario premier, called him a "master of ambiguity" as the Quebec leader played for time last July after the other nine provinces tabled their initial constitutional offer.

Mr Bourassa has at times dithered, bowed to federal pressure, mistaken timing and strategy, and violated his economic instincts in manoeuvring to hold the centre ground. But he is an extraordinary survivor and has won the grudging respect of his political enemies.

Mr Trudeau's use of the War Measures Act to quell the October crisis of 1970 fuelled separatist passions for a generation and led to Mr Bourassa's humiliation in 1976 by Mr Rene Levesque and the Parti Québe-

But Mr Bourassa engineered a remarkable comeback in 1985. He was re-elected in 1989, confident that he could lead Quebec into signing Canada's 1982 constitution. Those hopes died with the failure of the Meech Lake Accord in 1990.

defence of federalism has become more passionate over the past year. He told voters squarely just before last October's referendum that Quebec could still achieve its economic and cultural aims visions and goals, preferring to best by remaining a part of explain the virtues of invest-Canada. There was nothing ment and stability.



Robert Bourassa: wants Quebec to remain part of Canada

ambiguous in his words. After studying at a Jesuit college in Montreal, Mr Bourassa took a law degree in 1956 and postgraduate degrees in political economy and international tax at Oxford and Har-

He married into the wealthy Simard family. He worked as a tax specialist in Ottawa and Quebec City, and then was elected to the national assembly in 1966.

He spurned offers from the surging separatist movement and won the Quebec Liberal leadership early in 1970. Two months later, he defeated the old Union Nationale coalition

later at the hands of the PQ Mr Bourassa, frustrated and bitter, went to study the European Community and later taught in Europe and the US. But he kept in close touch with Quebec, and by 1983 was back as Quebec Liberal leader. He took his revenge on the PQ in If anything, Mr Bourassa's 1985 and was re-elected with a two-thirds majority in 1989.

> Mr Bourassa's passion is the craft of politics. His tenacity is legendary, but his consensustype leadership is often bewildering. He dislikes broad

He freely used the promise of the huge James Bay hydroelectric project to win at the polls in the 1970s. His 1985 tome "Power from the North" extolled the C\$15-bn James Bay Phase II as a great export project ensuring Quebec's prosperity into the next century.

James Bay II has been delayed by New England's long recession and opposition from the Cree Indians. But Mr Bourassa says he will have the last word, "because hydro power is most economic and environmentally acceptable". Slight in build and tutorial

in manner. Mr Bourassa inspires respect but lacks charisma. He is uneasy on TV, yet friendly and relaxed in personto-person meetings. Many Quebecers vote with their wallets and approve of his cautious

Rumination rather than rhetoric is his style. But Mr Bourassa aprings to life in the national assembly, where he is known as a master of repartee. able to put down his critics with a contemptuous flip of the hand. He usually gets the better of Mr Jacques Parizeau, the PQ leader, who was PQ finance minister from 1976 to 1984 before becoming a popular University of Montreal economics

professor. For Mr Bourassa, the failure of Meech Lake in 1990 took a heavy toll. The accord would not only have recognised Queon a platform for economic bec as a distinct society but, in growth, and won again in 1973. his words, "would have given After his defeat three years us more powers than I'd expec-

> The No vote in this year's referendum has been far less of a setback. Senior ministers say Mr Bourassa will lead his troops again in the next election, which is expected to be called in 1994. The one question mark is his health following a brush with skin cancer two years ago.

> He will try to show how Quebec can win more administrative and cultural "space" from Ottawa, picking his ground for the next constitutional battle with customary caution.

> > Bernard Simon



CANADA

MR JOHN CROW, the Bank of Canada's forthright governor.

has been transformed over the

past two years from national

villain to national hero. The

villains these days are spend-

thrift politicians whose inabil-

ity to contain budget deficits

has cast a cloud over Canada's

In 1990-91. Mr Crow bore the

UK-raised, former IMF econo-

mist has been showered with

compliments for squeezing

Canada's inflation rate down to

world currency markets.

slowed to an annual rate of

little more than 1 per cent.

down from 5.6 per cent in 1991

and 4.8 per cent the previous

year. This easily beats inflation

targets set by the government

named the central bank the

"Bundesbank of the North." Mr

Crow insisted in a recent

speech that his highest priority

remains monetary stability.

"This goal is good for expec-

tations, good for markets, good

for savers and investors, and

therefore good for sustained

recovery in the Canadian econ-

But guiding the economy

towards a smooth, non-infla-

tionary recovery will not be

THE slump in consumer

have marked the present

recession are arguably the

least worrying part of

While the business cycle is

Canada's economic problems.

companies will still be hobbled

demand and the longer

jobless queues which

Local economists have nick-

in early 1991.

omy," he said.

years to come.

of "competitiveness".

economic prospects.

Canada -1.7% 1.2% 3.0%

Annual % change

duction of a 7 per cent Goods

and Services Tax two years ago

and subsequent revolts against

higher municipal rates are

signs that taxpayers' tolerance

is wearing thin. On the other

hand, the scope for paring gov-

ernment spending in the

depths of a recession is limited.

If anything, pressure is now

building on Mr Brian Mulro-

ney, the prime minister, to

loosen the purse-strings, espe-

cially with the general election

drawing near in 1993. Although

interest rates have come down

a long way from their mid-1990

peaks, they remain unusually

high after factoring in

the slide in inflation.

-1.2% 1.8% 2.4%

1993

Bank governor is hero after fall in inflation

brunt of complaints from business, trade unions and politicians that high interest rates easy. The success of monetary policy in recent years masks a and a soaring currency were disturbing deterioration in the ravaging the Canadian econstate of Canada's public More recently however, the

"The Bank of Canada has no antidote for fiscal problems in this country," says Mr Warren Jestin, Bank of Nova Scotia's chief economist.

the lowest among G7 countries. forcing business to pay more Profligacy during the last boom, especially in Ontario, attention to its productivity. has been compounded during and adroitly steering Canada the recession by a slump in tax through the turbulence on revenues and heavier demands Inflation, as measured by the for government services, especially social welfare and unemconsumer price index, has ployment insurance.

> Bank of Nova Scotla estimates that public sector deficits now amount to about 8 per cent of national income, among

Local economists have nicknamed the central bank the "Bundesbank of the North"

the highest in the G7. The federal government has missed one deficit reduction target after another and will almost certainly fail to achieve this year's goal of a C\$27.5bn shortfall. The final outcome is

Real GDP United States

Source Burns Fry, Toronto

C\$33-34bn. Provincial governments have held their fiscal reins even more loosely. According to Burns Fry, the Toronto securities firm, borrowing by the 10 provinces has surged from C\$17bn in the fiscal year to March 31 1988 to an estimated

now expected to be closer to

C\$33bn in 1992-93. The provinces' combined borrowings overtook the federal government's for the first time last year. The public sector deficits have become a painful political headache. Canadians are already heavily

The uproar over the intro-

The yield on long-term government bonds stood at 8.6 per cent in mid-November, giving a "real" interest rate of over 7

The Bank of Canada has indicated in recent months that it is willing to allow the Canadian dollar to slide a little faster to accommodate a further drop in interest rates. The currency fell below 79 US cents in mid-November for the first time in five years, down from almost 84 cents in early September. Burns Fry predicts that the dollar could slide as low as 75 US cents by the end

With policymakers having so little room for manoeuvre. economists are virtually unani-

British Columbia enjoys robust expansion while Newfoundland struggles with a cod fishing ban

mous that the upturn will be slow. Real growth in gross domestic product is expected to be around 1.5 per cent this year, compared to the 2.7 per cent forecast by Mr Donald Mazankowski, the finance minister, in his budget last Febru-

Next year's growth rate is unlikely to exceed about 3.5 per cent. The chances are slim that unemployment, currently at over 11 per cent, will return to single digits before late 1993.

The main engines for growth are expected to include exports, which will be spurred by the more favourable exchange rate and a recovery in the US; and housing, which will benefit from lower interest rates. Canada Mortgage and Housing Corp predicts that housing starts will rise to 179,000 units in 1993. from

166,000 this year. The outlook varies widely from province to province. British Columbia, whose growth is compared by the business community to California in the 1950s and 1960s, is enjoying robust expansion as immigrants and investment stream in, and the forestry industry shows signs of

Prospects in neighbouring . Alberta depend largely on oil and gas prices, and the international grain market.

At the other extreme of the country (and the growth spectrum), Newfoundland is struggling to cope with a moratorium on cod fishing. About one in five Newfoundlanders is out of work, and the province's economy has shrunk by about 2 per cent this year.

Ontario and Quebec, the two most industrialised provinces and among those hardest hit by the recession, are expected to mirror the national picture, emerging only slowly and fitfully from the slump of the past three years.

KEY FACTS

Area .. 9,220,970 sq km (second largest country in the world) Head of stateQueen Elizabeth II, represented by a

.. Canadian Dollar (C\$) Avrg exchange rate: 1991US\$1 = C\$1.1457; £1 = C\$2.0271 Exchange rate November 30 1992

FOOMOWY	1991	Latest
ECONOMY		
Total GDP (USSbn)		n.a.
Real GDP growth (%)		1.6*
GDP per capita (US\$)	21,809	
components of GDP (%)		
Private consumption	60.8	
Total investment	19.5	
Government consumption	20.8	ก.ล.
Exports	24.5	- (
Imports	-25.4	
Consumer prices (% change pa)	5.6	1.6
nd. wage rates (% change pa)		3.6
nd. production (% change pa)	-4.1	
Jnemployment (% of lab force)	10.3	11.3
Reserves minus gold (US\$bn)		
varrow money growth (% pa)	3.5	9.9 5.8
road money growth (% pa)		
Bank rate (% pa, end period)		8.82
Govt bond yield (% pa, avg)	8.11	8.08 -8.0
FT-A index (% change over year)		
Public external debt (US\$bn, Dec)		n.a.
Current account balance (US\$bn)	-25.5	-22.3
Exports (US\$bn)	127.5	n.a.
mports (US\$bn)	121.5	n.a.
Trade balance (USSbn)	5.9	n.a.
Main trading partners		
(1990, % by value)		imports
US	75.0	64.6
Japan		7.0
UK	2.4	
Germany	1.6	2.8
EC	8.1	11.5

= 1992 figures. (Wages, Industrial Production - August; Reserves - September: Consumer Prices, Unemployment, Money supply growth - October: Interest rates - 27/11/92; FT-A index - % change from 1/1/92 to 27/11/92)

2 = EiU estimates for 1992 Sources: IMF, World Bank, Datastream, Economist Intelligence Unit

Bernard Simon looks at the competitive weaknesses of the country's companies

Handicaps that are hard to overcome

expected to turn gradually evidence, ranging from a weak base in machinery exports to upward during 1993, Canadian high foreign ownership of by more fundamental handi-Canadian industry, points to caps which, without corrective "an economy that shows limited signs of upgrading, and action, could keep living suggests that productivity standards on the skids for growth - the critical driver of prosperity - may be increas-These structural weaknesses which include inadequate ingly difficult to achieve."

Views along the same lines research and development, poor worker training, advershave been aired ad nauseam in arial industrial relations, high recent years. But concerted taxes and inter-provincial action to correct Canada's competitive handicaps has so trade barriers – have come to be lumped under the heading far proved elusive. Dr Sylvia Ostry, chairman of

Professor Michael Porter of the Harvard Business School concluded in a report recognition in the general public and among many politicians of the need for a furnace to generate the 'warmth' for this kinder, gentler country to survive the wintry blasts of global competition."

Americans strive for excellence; Canadians put greater emphasis on equity and equality

Mr Michael Bloom, a researcher at the Conference Board of Canada in Ottawa. puts some of the blame on a the Centre for International Studies at the University of difference in attitude between Canadians and Americans. Toronto, noted in a recent

porthern neighbours put greater emphasis on equity and equality.

> As Mr Bloom notes. Canada has no Harvard or Sorbonne among its universities. Instead, Ottawa and the provinces spend a large chunk of their budgets to ensure that uniform services, which meet "national standards", are accessible throughout the world's second biggest country.

Concern about Canada's eroding competitiveness is increasingly homing in on the country's schools and universities. At first glance, Canada should have one of the world's commissioned by the federal speech that "there seems to be While Americans aggressively finest education systems. No long one. Canadian univers- to spend more of their time in the education reform country has always depended government last year that in this country virtually no strive for excellence, their government in the industrial ities have an ultra-short the classroom these days on movement is a drive towards for growth in the past.

LIMITED growth opportunities

and stiffening competition at

home are driving many Cana-

dian companies to broaden

their horizons. Among the

most prominent is BCE, the

Montreal-based telecommuni-

cations and financial services

BCE's latest foray abroad

was its purchase in mid-No-

vember of a 20 per cent stake

in Mercury Communications,

Britain's second-biggest tele-

phone company. As part of the

deal, Cable & Wireless, Mercu-

ry's parent, is to become a

partner in BCE's cable TV

ting closer to a company which

had geographical reach," says

Mr Red Wilson, BCE's presi-

dent. "I see it as the beginning

of an alliance where, we hope,

C&W and ourselves are going

to have a lot to do in common

BCE already has a sizeable

international presence through

its 53 per cent stake in North-

ern Telecom, the telecommuni-

cations equipment maker,

Thanks largely to its acquisi-

tion last year of Britain's STC.

Northern now makes more

BCE itself is part of a consor-

tium which set up Clear Com-

"We were interested in get-

business in the UK.

in the future."

North America.

world spends more on a pupil's pre-matriculation education. Teachers' salaries are 40 per cent higher on average in

Canada than the US. But Statistics Canada has estimated that some 28 per cent of Canada-born people, aged 16-24, are functionally illiterate and over 40 per cent are innumerate. Canadian students come near the bottom of the list among OECD countries in science and mathematics skills. Enrolment in postsecondary engineering and applied science courses has

tumbled since the mid-1980s. The list of possible explanations for this poor record is a

academic year, with students normally starting classes in mid-September and writing their exams by the end of

April.

protection of a strong union The municipality has six

School teachers enjoy the

school boards, catering for French and Englishspeaking children

movement, while many university lecturers are coddled by a system of permanent tenure.

In any case, Mr Bloom notes that many teachers are forced

Profile: BCE

Mercury link may be only a start

expense of the academic svilabus. Concern for equity and equality can conflict with

and drags counselling, and

violence in schools - at the

parsuit of excellence. For instance, the municipality of Ottawa-Carleton has six different school boards. catering for French-speaking and English-speaking children from Protestant and Catholic backgrounds, No fewer than four departments in the Ontario provincial government

aspect of education. Among the top priorities of

have responsibility for some

national testing. The hope is that a comparison of the achievements of pupils from schools across the country will be a powerful spur to improving academic standards.

The provinces conducted a limited trial test of literacy and numeracy skills last June. The plan is to broaden the test to cover about 20,000 pupils at the end of the 1992/93 school

Sceptics question however, whether such products of negotiation and compromise are radical enough to give government; business and workers the jolt they need. Canada's best hope of

improving its competitiveness, they contend, is more likely to come from sharp external shocks, such as North American free trade, or another crunch in the natural resource markets on which the

MR. BELL DESERVES ALL THE CREDIT FOR BRINGING US CLOSER TOGETHER.

BCE Inc., a Canadian management holding corporation whose core businesses. include Bell Canada, Northern Telecom, BCE Mobile and Bell-Northern Research. recently announced a major alliance with Cable & Wireless plc of the United Kingdom.

This transaction represents a major step in BCE's strategy of expanding our global interests in our core telecommunications business. And it will provide Mercury Communications Limited, a subsidiary of Cable & Wireless, with access to BCE's outstanding research and development facilities. BCE Inc. is Canada's largest

corporation in terms of assets, revenues and net income, and is listed on 13 stock exchanges. including London's. Through Northern Telecom, BCE Telecom International, Videotron Corporation Ltd. and Encom Cable TV & Telecommunications Ltd., BCE was already a significant investor in the UK. This transaction demonstrates BCE's continuing commitment to the UK market.

Isn't it remarkable that at about the

same time this deal was struck, a famous inventor born in the UK, who while in Canada developed an idea that would bring people closer regether,

was inducted into the Canadian Science and Engineering Hall of Fame ?



pany owns 49 per cent of a fledgling digital telephone network in Moscow, and a subsidjary has cellular franchises in Mexico City and New Delhi. than a fifth of its sales outside BCE's international thrust is driven by the limited opportunities on its home turf. It is already Canada's biggest pubmunications, New Zealand's its executives is Clear's general nues of about C\$20bn, and the

earnings of more than a billion dollars a year. Its cash cow, wholly-owned Bell Canada, has a virtual monopoly on phone services to the 15m residents of Ontario and Quebec, and has stakes in several other provin-

> cial telephone companies. Bell's dominance of the domestic market makes further expansion difficult within Canada. At the same time, regula

tected provincial phone utilities from competition are gradually being lowered. A rival long-distance service is currently being set up and

tory barriers which have pro-

cut-price resellers are gaining an ever bigger share of corporate telephone business. Mr Wilson says that Bell is earmarking a growing slice of its resources to marketing.

Getting a tochold in the international telephone business has not been easy. BCE's US partner pulled out at the last minute of a bid for a stake in Telefonos de Mexico; a bid with Bell Atlantic (no relation to Bell Canada) in the privatisation of Venezuela's phone company was also unsuccess-

BCE hopes the alliance with Cable & Wireless will give it the long-sought springboard into the international telephone business. The chairmen and chief executives of the two companies plan to get together twice a year to explore oppor-They have yet to discuss spe-

cific joint ventures. But Mr Wilson says that both companies recognise that south-east Asia "is one part of the world where we can-work together". A senior Bell-Canada man is

to take over the reins of one of Mercury's divisions and Mr Wilson expects that half-adozen operating people will be seconded to Mercury at any one time. "We wanted to be sure we would be an active player in Mercury and not just an investor," he says.

BCE has laid the groundwork for its international telecoms thrust by retreating from other businesses. It expects to raise about C\$650m before the end of the year as warrants on. its remaining shares in Trans-Canada PipeLines are exercised. Another C\$142m came recently from the sale of two US telephone directory advertising firms.

A wholly-owned trust company, Montreal Trust, will probably end up as part of a larger financial institution BCE's problem child remains

an ill-advised investment which it made in a large property developer in the mid-1980s. It wrote off its 67 per cent equity stake in BF Realty-(previously known as BCE Development) three years ago, but continues to have a debt exposure of over C\$400m to the near-bankrupt company's principal subsidiary.

Bernard Simon

Adjusting to realities

manager. The Canadian com- only one to have posted net

Continued from previous page

issues, including the generous but costly unemployment insurance and social security systems. The opposition Liberals are at this stage an unknown quantity. The party is still in the throes of putting together an election platform, pitting a group of business-oriented young Turks against a more interventionist old guard. In the two years since he was elected Liberal leader, Mr Jean Chretien has failed to galvanise the party. But a drive to

put up some high-powered can-

didates for the next election

and a flurry of organising at

the grassroots are signs that the Liberals are desperately hungry to return to office after eight fractious years in the

political wilderness. The Liberals stand to gain more than the Conservatives from the emergence of the Alberta-based Reform Party and the Bloc Quebecois. Both regional groups have drawn the bulk of their support from former Tory voters.

Mr Preston Manning, the Reform Party's folksy leader, and the more fiery Mr Lucien Bouchard, who heads the BQ. have both succeeded in attracting strong support on their home turf.

As opinion polls now stand, these two parties plus the social-democratic New Democrats could garner enough seats between them to deprive either the Conservatives or Liberals of a majority government. Political observers talk darkly of the next election producing an unstable "Italianstyle" parliament.

It would be a mistake, how-ever, to cast this prediction in stone. As the referendum result showed Canadian politics is in a fluid and impredictable state. The one pertainty is that the picture of Canada's future will be much clearer by this time next year.

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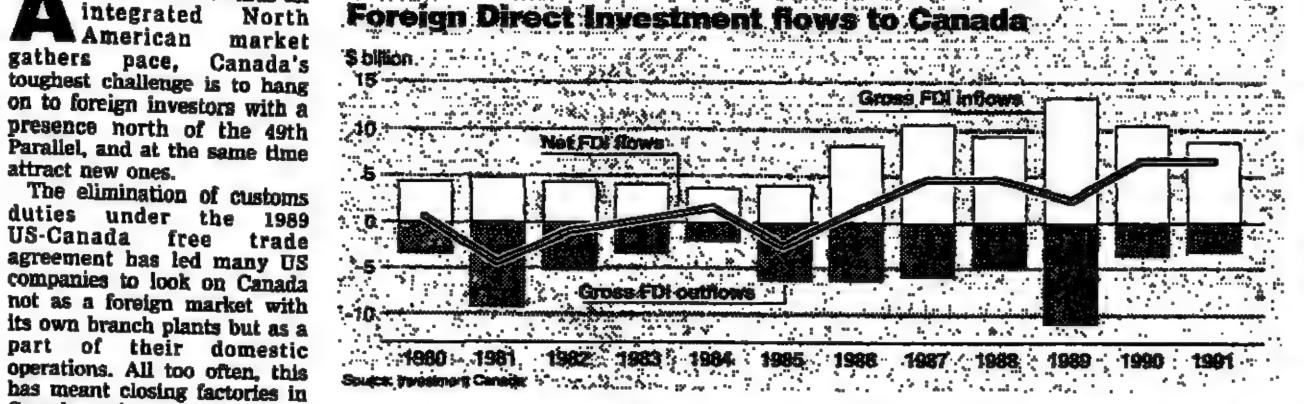
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moved to the US.

Will new foreign investors be wooed if old ones move away?

There are some flies in

the Nafta ointment



But as Prof Rugman put it, "American investors considering investments outside the US now have two countries to choose from which both ensure easy trade access to the US market."

Of the three countries, Canada has most to lose. It has a small, widely dispersed market, most of it within easy reach of US factories. High wages make it likely that labour-intensive industries would choose Mexico or the southern US. Canadian business is also

According to a recent OECD report, tax revenues have soared from 81.6 per cent of gross domestic product in 1980 to 39.4 per cent in 1991, higher than either Britain or Germany, and well above the

The Canadians are confident. however, that they have much to offer. Mrs Jean McCloskey, president of Investment Canada, the federal investment promotion and review agency, observes that the relatively high wages, taxes and other costs of operating in Canada do

Canada's advantages include

a skilled workforce, first-rate infrastructure and sophisticated market, not to mention the public health-care system for which a sizeable chunk of taxes is earmarked.

The country's abundant natural resources continue to attract many companies. Several international mining groups, for instance, have recently joined a stampede for diamonds in the Northwest Territories. Foreign investors

have also been active buyers of

The futuristic City Hall in Calgary, Alberta, dwarfs the original building, in the bottom left of the picture

(photograph: Glyn Genin)

COMMERCIAL TIES WITH THE US

Free trade is no longer such a hot potato

THE US-Canada free trade agreement (FTA), now nearing its fourth anniversary, has already had a profound impact on commercial ties between the world's two largest trading

attract new ones.

Canada and serving Canadian

customers from giant, low-cost

The trilateral North

American free trade agreement

(Nafta). which is due to take

effect in January 1994, will also

pit Canada against Mexico in

wooing new investment,

Professor Alan Rugman, of

the University of Toronto's

faculty of management,

concluded in a recent paper

that the terms of the Nafta

bring only "modest actual

liberalisation of the North

terms of a

especially from the US.

in

plants south of the border.

Measuring that impact with any degree of precision is impossible. The first three years of the FTA have coincided with a recession, volatile exchange rates and low commodity prices, all of which have also helped alter trade flows and investment strate-

But a recent study by Toronto's CD Howe Institute concluded that "the facts so far are more consistent with the optimistic scenario of free trade supporters than with the views of detractors."

The supporters have taken heart from rising two-way trade, especially in products liberalised by the agreement, as well as many examples of new US investment in Canada.

Evidence of the FTA's popularity in the business community is the mountain of applications which have poured into Ottawa and Washington for two rounds of accelerated tariff cuts which have been negotiated since 1989 on two-way trade of some C\$8bn a year. A third - and final - round will come into force early in 1993.

Critics of the FTA, chiefly the labour movement, point to hard-pressed Canadian industries, such as furniture, carpets, textiles and processed foods, which are struggling to compete against rising US

The FTA has been blamed for a rash of plant closures in Canada. Some US companies have discovered that, without customs tariffs to consider. they can service the Canadian market more efficiently from plants south of the border. Some Canadian manufacturers, especially in the automotive parts industry, have also

One undisputed benefit of the 1989 pact, however, is its innovative dispute settlement mechanism. The new system of referring disagreements to binational review panels has

taken much of the political expects to present enabling legheat out of anti-dumping and islation to parliament in early countervailing duty issues.

Canadian trade officials are also convinced that the binding arbitration system has made the US Department of Commerce and International Trade Commission more careful in applying trade-remedy

A total of 33 panels has been set up over the past three years, the bulk of them to review anti-dumping and countervailing duty cases involving products as diverse as softwood lumber, magnesium, pigs and paving machinery.

While public opinion in Canada remains lukewarm on free trade, the Nafta agreement is not as hot a political potato as the FTA was four years ago. The opposition Liberal party. which strongly opposed the FTA, has come around to much the same view as US President-elect Bill Clinton that Nafta has flaws, but they are not so serious that the whole agreement should be

Canada's goals in the Nafta negotiations were largely

A relatively small number of Canadian exporters and investors will benefit from improved access to Mexico. Five key areas have been identified where Nafta differs from the earlier agreement

Five of the panels, set up under Chapter 18 of the FTA. have dealt with intractable government-to-government disputes. They have included a Canadian challenge on the US interpretation of rules of origin for cars assembled in Canada. and a US complaint against Canadian landing rules for west coast salmon and herring. Two Chapter 18 cases, involving farm subsidies and UHT

milk standards, are pending. The next big step in US-Canada trade relations will be the expansion of free trade to Mexico under the North American free trade agreement

defensive. Only a relatively small number of Canadian exporters and investors will benefit from improved access to Mexico. Ottawa was more anxious to preserve (and if possible, improve on) gains made in the FTA, and to ensure that Canada would remain attractive as a springboard for investors into the North American

Canadian officials identify five key areas where Nafta differs from the FTA: □ clearer rules of origin, which the Canadians expect will avoid a repetition of the dispute earlier this year over (Nafta), which is due to come the North American content of into force on January 1 1994. Honda Civic cars made in Can-

e Mulroney	governme	ent ada	a.		
TRAL	E WIT	H THE	E US	(C\$br	1)
	1988	1989	1990	1991	1992*
ERCHANDISE					
tal Exports	102.6	105.7	110.5	107.6	59.7
tal imports	88.8	94.0	93.7	93.7	51.9
lance	13.8	11.7	16.8	13.9	7.8
ON-MERCHAN	DISE				
ceipts	21.7	19.9	19.6	20.2	9.4
yments	34.5	35.0	39.0	38.9	20.3
lance	-12.8	-15.1	-19.4	-18.7	-10.9
TAL	247.6	254.6	262.8	260.4	141.3
l.as	****			Ource: STATE	STICS CANA

☐ the extension for two years. to 1996, of duty drawbacks on inputs for motor vehicles made in Canada and then shipped to the US. Permanent duty drawback concessions will apply to products which are shipped from one Nafta country to another but do not meet North American rules of origin. Under Nafta, companies will be entitled to a refund of the cus-

or the finished product, whichever is lower. □ liberalisation of cross-border transport, Under Nafta, trucks will be allowed to pick up loads in all three countries.

toms duty on either the input

□ looser government procure ment rules. Among the US business which will be opened to Canadian companies are services, construction and parastatals such as the US Army Corps of Engineers. Canadian officials estimate that Nafta opens as much as C\$50bn of new US government business to Canadian bidders.

☐ Expanded intellectual property rights, notably protection of patents and copyright in

Despite the improvements, Nafta still leaves numerous gaps in commercial ties between the three countries. Subsidies and anti-dumping rules, which the FTA negotiators hoped would be resolved in the multilateral Uruguay Round, will remain conten-

The Canadians are also nervous that many Mexican officials will find it difficult to adjust to the disciplines required by a detailed international trade agreement, especially one which overrides domestic laws.

Within Canada, pressure is likely to grow on Ottawa to provide more generous assistance to industries and workers hit by intensifying competi-tion from US and now Mexican suppliers. The CD Howe Institute concluded that "the painful restructuring that has occurred in certain sectors under the FTA suggests that the issue of adjustment programmes should be revisited".

Bernard Simon



western Canada. But Canada's best hope for the future may lie in more sophisticated businesses. Investment Canada has targeted a handful of sectors. including computer software. hazardous waste, marine technology and optics. It is about to add medical devices. telecommunications and water treatment to the list.

The agency has identified about 700 Canadian companies in these fields which are interested in joining forces with a foreign partner. Recent successes include a decision by Bricsson, the Swedish telecommunications group, to locate its cellular software development centre in Montreal, in the face of competition from the company's US and Mexican subsidiaries. Plant Genetic Systems of Belgium plans to invest a total of C\$10m in Saskatchewan to develop strain 87.

Canada's unemployment rate at over 11 per cent foreign investors can expect a warm welcome from federal and provincial governments. Interest-free loans smoothed the way for both Ericsson and the UK's Rolls-Royce, which recently decided to produce an industrial version of one of its turbofan aero engines near

Screening by Investment | requirements,

purchases of businesses with Nonetheless. assets of more than C35m. or indirect acquisitions (those where ownership of a Canadian business changes as a result of the acquisition of its come to fruition. foreign parent) involving

assets of more than C\$50m. Under the US-Canada free trade pact, however, threshold for direct investors has been raised to C\$150m. Indirect acquisitions by US buyers are now usually exempt from review. Indeed since its formation in 1985. Investment Canada has never

politically sensitive sectors need a good deal of agility and patience if their plans are to

Foreign control in the "cultural" sector, which includes publishing, films, broadcasting and music, is especially frowned on. Public opinion - and thus political decision-making - is also sensitive involvement in financial services and airlines.

The recent experience of

Hundreds of barriers

THE roughly 500 trade barriers which impede the movement of goods and services between Canada's 10 provinces range from the familiar to the obscure. They include:

■ 10 marketing boards which control the production of eggs, chickens, turkeys and industrial milk: a plethora of provincial quality and product standards:

■ varying regional and industrial assistance programmes: **differing safety restrictions** weight and dimension

procedures, and fuel and sales taxes for trucks; ■ varying standards for trucks used to transport livestock; varying crop insurance and emergency crop pricing

programmes; margarine colouring restrictions and blueberry maggot inspection procedures in Ontario: ■ varying tax classifications of

market garden and greenhouse operators: varying bee and honey equipment regulations.

Source: Legislative Research Service

shows, however, that hard times have softened Canadian attitudes. American ran into stiff opposition from trade unions and politicians when it proposed earlier this year to buy 25 per cent (the maximum allowed by law) in Canadian Airlines International of Calgary. The opposition evaporated, however, when it

became clear that the alternatives were either a costly merger for Canadian with Air Canada or bankruptcy. In spite of the improved climate for foreign investment there are some clouds on the

horizon. One is a possible change of government after the federal election to be held next The opposition Liberal party has yet to spell out a clear investment policy. Under Mr Pierre Trudeau, the former prime minister, the Liberals

spearheaded a plethora of new

curbs on foreigners in the

1970s and early 1980s. A group of pragmatists within the party is pushing hard for a less nationalistic platform. Significant new restrictions are unlikely, at least in the early years of a Liberal government. But with Ottawa and the provinces facing growing budget deficits, higher taxes may be on the way, no matter which

government is in office. **Bernard Simon**



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Quebec seeks to restore its vitality

WITH the constitutional referendum behind it. Quebec is marshalling all its energies in the hope of restoring the economic vitality of the 1980s. Most voters in Canada's only French-speaking province are well satisfied that Quebec was among six provinces which voted No in the October referendum. But now they want the constitutional issue shelved, pending next year's federal

"I was very disappointed Canada did not grasp the opportunity to accept the Charlottetown package," says Mr Robert Bourassa, Quebec's premier. "But Quebec's 56 per cent No clearly was not a vote for independence - that's cru cial. Everybody now agrees we must move on to other urgent matters and try to spur our lagging economy."

Quebec and Ontario, with two-thirds of Canada's 26.5m population and most of its manufacturing base, have been most severely affected by the recession. Sagging primary product prices, especially for forest products and metals. declining construction and lower protective tariffs have sharpened the pain for Quebec. Only recently have lower interest rates and a lower Canadian dollar brought

Quebec's unemployment persists at an average 12.5 per cent, with pockets of 20 per cent in some areas. The property crisis rivals Ontario's and

Provincial and municipal deficits have swollen, taxes are up and services are down

retailing has been decimated Provincial and municipal deficits have swollen in the past two years, taxes are up and services are down. Signs of US recovery are

encouraging, says Mr Bourassa, but he feels that any stimulus from the Clinton administration's economic policles will not be felt in Quebec before 1994. The pace of recovery may be slow. Quebec urgently needs a sta-

ble dollar and lower interest rates to revive profits, encourage investment and create jobs, he says. It remains fully open to North America and the world for trade and invest-The government is trying to

forge a new partnership with business to meet the challenge of market globalisation, mobillty of production and growing competition. "Restructuring of Quebec's economy is in full swing and

ing regions." The government plans improvements to industrial training, with the help of a new agreement with Ottawa. In the longer term, secondary

tionary factor, has been capped, but business complains that the government has lost control of costs in the industrial health and safety system. These are horne.

tor pay, long a strong infla-

Business complains that government has lost control of costs for health and safety

mainly by employers. Quebec has five or six competitive sectors with good growth prospects: aerospace and transport equipment. pharmaceuticals, telecommunications and information technology, power generation equipment, metals and food processing. The province is promoting these with research and development programmes.

region contains half of Quebec's total population of 6.5m and has a full range of financial and legal services in French, English and several other languages.

tax credits, loans and infra-

structure projects. All draw

heavily on greater Montreal's

skilled manpower - the

The leaders include Bombardler, BCE, Merck Frosst Can-

ada. CAE Industries. Alsthom.

Ontario

Alcan Aluminium and Noranda, all international companies. Mr Gerard Tremblay, the industry minister, is also focusing on petrochemicals, textiles and clothing, pulp and paper, environmental products and some cultural industries. encouraging initiative from

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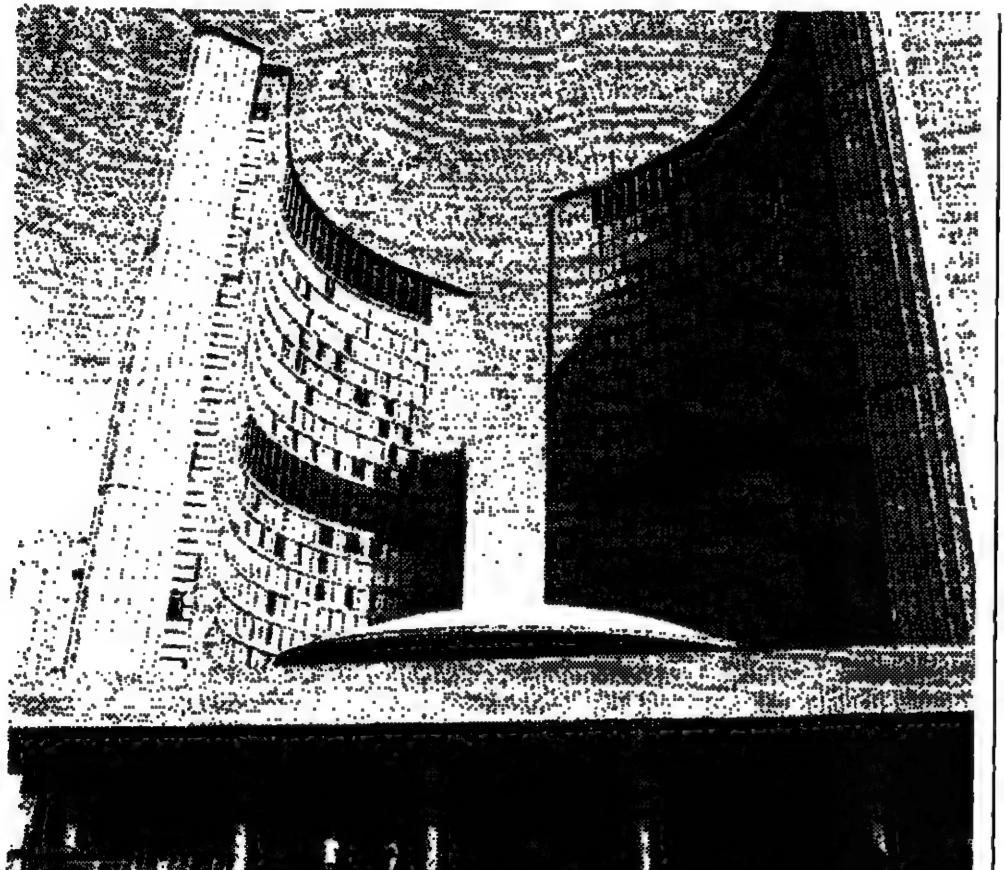
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the regions. Mr Jacques Parizeau, leader of the separatist Parti Quebecols, has attacked the government's ability to shape effective policies for recovery. Mr Parizeau, whose party is trying to capitalise on the No vote in the referendum, argues

that the federal government retains too many levers. He has promised a referendum on sovereignty if he can win the next provincial election, which is likely to be held in 1994. On the other hand, even the PQ knows that Quebec cannot isolate itself.

The language issue is confined to Montreal because of its pluralistic make-up. The government would like to ease a contentious ban on Englishlanguage exterior commercial signs late in 1993. But this will be done only if francophones. accounting for 75 per cent of the city's 3m population, feel secure that they will be able to continue to live and work in a French environment.



Profile: MAPLE LEAF FOODS

US joint venture

A CLEAR pattern runs through the shake-up which Hillsdown Holdings has given Maple Leaf Foods in the two and a half years since the British congiomerate bought control of Canada's biggest food processor.

City Hall, Toronto

"From day one in restructuring this business, we looked at it to be cost-competitive on a North American basis and not on a Canadian basis," says Mr Art Devlin, a senior vice-president who is the only senior manager to have survived Hillsdown's medicine.

Known as a lumbering corporate dinosaur in its former incarnation as Canada Packers, Maple Leaf is now blazing the trail which many other Canadian companies will have to follow if they are to survive and prosper in a more competitive environment.

In a strategy typical of many other industries, Maple Leaf's US competitors no longer treat Canada as part of their foreign operations but as an extension of their domestic market. The US food companies are stepping up their drive into Can-

Imports of prepared meats and other products have risen markedly as tariff barriers are lowered under the 1989 US-Canada free trade agreement. As Mr Devlin puts it, "the economic borders are disappearing. We tend to think of our businesses now as geographic regions running north-south, rather than east-west."

Maple Leaf sold its dairy and edible oils businesses after realising that they were too small to go head-to-head against the giants of the North American industry. Beefslaughtering became less attractive when Cargill put up a huge new facility in Alberta, and the provincial government started propping up smaller,



of the 49th Parallel is a priority

inefficient producers. A large broom has been swept through Maple Leaf's remaining businesses - such as poultry, prepared meats, groceries, milling and baking. It has closed some plants, combined production at others and. in a few cases, made acquisitions to achieve economies of

Stiffer competition and the recession have not left the company unscathed, however. Earnings per share from continuing operations edged up by a modest 5 per cent in the first six months of 1992. But the Canadian company is at least lean enough now to start holding its own against the US

also on their own turf. Significantly, when Hillsdown picked a new chief executive officer for Maple Leaf last April. its choice was Mr Charles Bowen, who has spent much of his career with General Foods of the US. Mr Bowen's priorities include expansion south of the 49th

giants, not just in Canada, but

A milestone in the cross-border strategy was a 50-50 joint venture set up earlier this year with ConAgra, the US food processor. Maple Leaf has contributed its entire milling and baking mix business, while ConAgra has chipped in a large mill in Buffalo, New York.

(photograph by Glyn Genin)

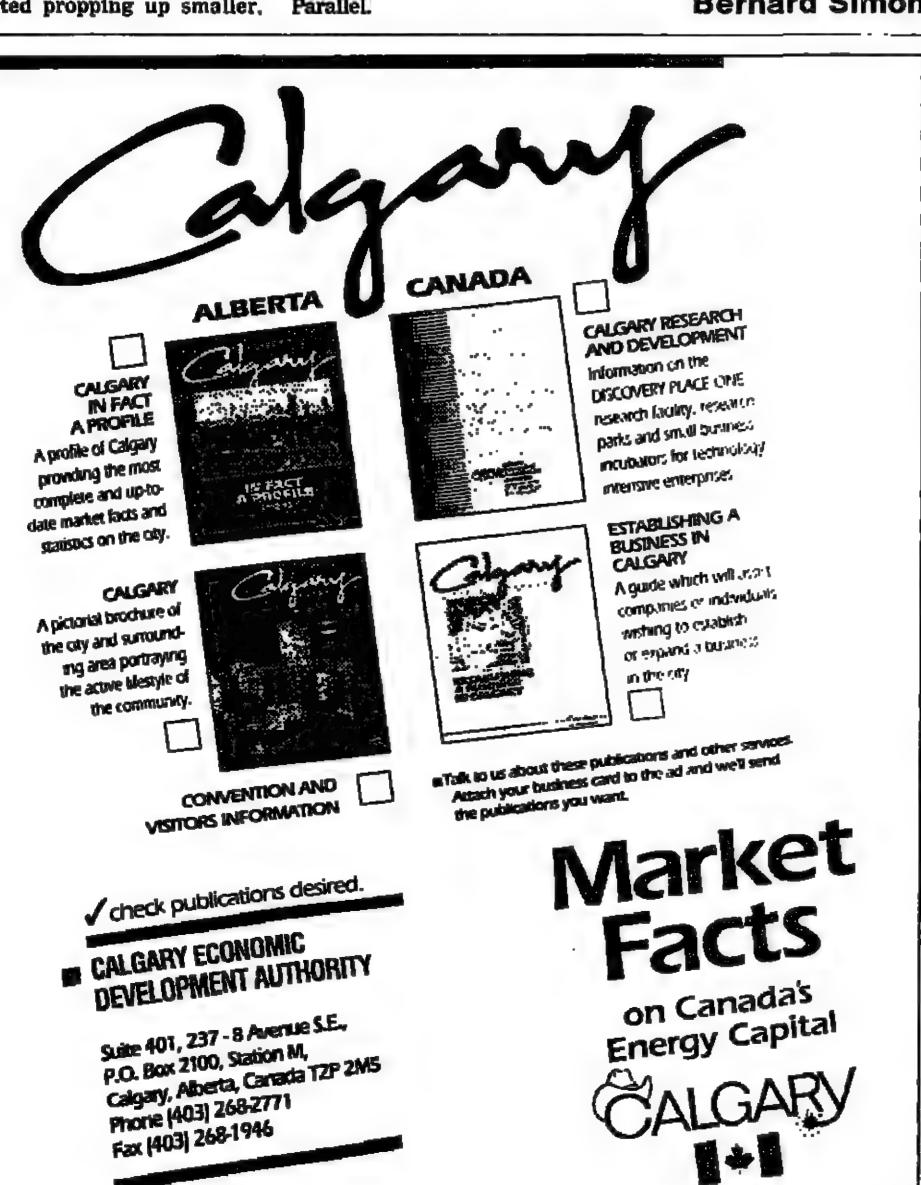
ConAgra manages the venture, enabling the Canadian businesses to benefit from the economies of scale of ConAgra's payroll, data processing and purchasing departments. For its part, ConAgra has stepped up its purchases from the Canadian flour mills. Maple Leaf is now examining the feasibility of expanding the partnership to other products, and perhaps forming similar ventures with other US compa-

It already exports about a third of its fresh pork output to the US. Bread, pasta, frozen dough, prepared meats and animal feeds are among other products which are finding a market south of the border. Rather than take on heavyweight US brands, however Maple Leaf is putting the emphasis on private-label business where it can compete on price and quality without a

hefty marketing budget. With no debt on its books. Maple Leaf can afford a substantial acquisition in the US. But here, too, the Canadian company is aware of its limitations. Rather than trying to be a national brand-name player, it is looking for regional, perhaps family-owned, companies.

What Maple Leaf would most like to find is a little-noticed company with a franchise as strong and a management as weak as Canada Packers had when its new British shareholders came on the scene two

Bernard Simon





young and well-educated workforce that made the smooth start-up possible. Quebec has come a long way in 30 years and education has dramatically changed the outly-

education is to be revamped to adapt the workforce to the

A German-led consortium brought the US 31bn Alouette aluminium smelter on stream at Sent Iles this summer on time and on budget. According to Mr Perrault, "the economics may rest on power and a year-round port, but it was the

Mr Bourassa has promised a more competitive corporate tax burden, but business wants heavy cutbacks in the civil service to lower the high cost of government. Public sec-

Theresa Byrne on doing business in Canada

The private sector is confi-

dent that many companies can

compete globally, especially in

the US. More than 70 per cent

of Quebec's exports go to the

US. Quebec's comparative

advantage in some sectors can

be used to foster foreign

investment and exports, says

Mr Charles Perrault, president

of Schroder Investments Can-

ada and a director of Northern

Telecom.

Protectionism rules in the provinces

CANADIANS still talk about the incident in Aylmer. Quebec, in the mid-1980s.

A long muddy trench lay beside a road where workers had installed and then demolished a new brick pavement. There was nothing wrong with the sidewalk. But in Quebec, pavement materials must be made in Quebec and the bricks for this pavement had come from Ontario.

The contractor was forced to rip up and replace the offending stones.

The Aylmer story is still cited to illustrate the absurdities of doing business in Canada. At a time when barriers to international trade are being dismantled, Canadian industry continues to struggle with a plethora of inter-provincial trade barriers. Even the federal government fought unsuccessfully earlier this year to include a ban on provincial trade barriers in the constitutional reform package. "What you're really talking

about is how governments use their power," said Mr Robert Knox, director general of policy services in the department of industry, science and technology. The provinces are barred from imposing customs tariffs

under Section 121 of the Constitution Act 1867, which says: "All articles of the Growth, Produce, or Manufacture of any one of the Provinces shall ... be admitted free into each of the other Provinces." But non-tariff barriers have proliferated over the years. In a 1991 study, the Canadian Manufacturers' Association (CMA) lists a succession of barriers which hamper the free movement of goods, services

and people. For example, a

manufacturer of diesel buses

was awarded a contract to sup-

ply vehicles to a Quebec

municipality, but only on condition that the Ontario production facilities be moved to Quebec. This duly happened, displacing several hundred Ontario workers.

Other obstacles to trade among the 10 provinces and two territories include provincial marketing boards, different licensing requirements for lawyers and doctors, and subsidies to attract investment.

The CMA estimated the provinces have erected about 500 such barriers at a cost to the economy of more than C\$6bn a year. The CMA called for a progressive elimination of the barriers by 1993, but now accepts that the process will take much longer. "Lack of political will, based

Provinces are barred from imposing customs tariffs but non-tariff barriers proliferate

on people maintaining a very parochial and short-sighted attitude," has hindered progress, says Mr Stephen Van Houten, the association's president. Business leaders acknowledge that liberalising trade would result in plant closures and lost jobs in the short term. But they are confident that it would have substantial long-term benefits.

The issue of inter-provincial barriers has been tackled on and off since a Royal Commission on Dominion-Provincial Relations noted in 1940 that "it is probable that there is no single province so situated as to gain on balance by the existence of local protectionism in Canada"

A more recent thrust began in 1987, with the formation of a committee of federal and provincial ministers on internal trade. It was charged with

identifying barriers, and working with industry to reduce and remove them through negotiation and mediation. Initially, it set out to tackle

three areas: government procurement, liquor marketing and transport regulation. A little progress has been made, in November 1991, all governments approved an agreement on government procurement which will eliminate preferential treatment on most purchases of more than C\$25,000. The new system, which is to

be phased in by 1996, does not

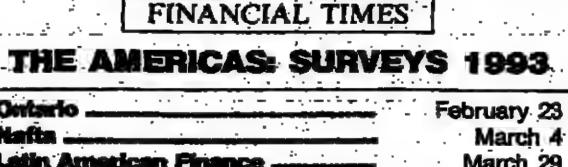
cover services or construction,

nor does it include purchases

for crown corporations, municipalities, schools and hospitals. An agreement on beer was implemented earlier this year. Under the old rules, brewers could normally sell their beer only in provinces where it was brewed. In November 1992, agriculture ministers agreed to eliminate technical rules, such as different meat and vegetable grading standards. So many regulations are involved that eliminating them could take up to five years.

Newfoundland, Nova Scotia, New Brunswick and Prince Edward Island have agreed among themselves to allow companies from all four provinces to bid on most government contracts in the region. On a national level, the current priority is to bring down procurement barriers in services and construction.

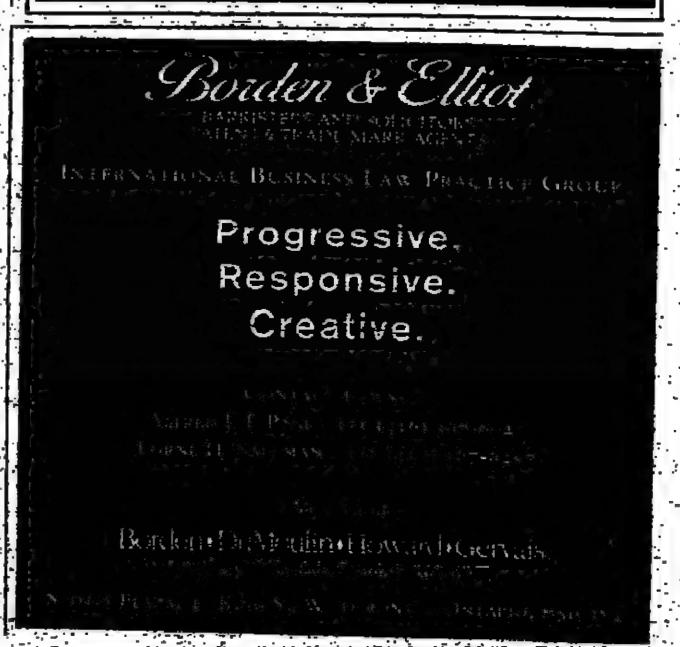
But the provinces are now. taking a different approach: Instead of trying to eliminate one barrier at a time, they are now devising a common set of standards and principles to which all provinces would adhere. In the meantime, Mr Van Houten plans to continue lobbying against the patchwork of barriers that remain. "Hope springs eternal," he



Latin American Finance March 29 April 19 N American Business Travel ---April 20 Argentine ____ May 5 Canadian Forest Products...... May 7 July 22 Canadian Aerospace September 3 Locating in N America -October E Mercico October 11 All dates are provisional FURTHER INFORMATION

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Firm close after early loss reversed

By Terry Byland, **UK Stock Market Editor**

A SUDDEN revival of confidence in the UK stock market yesterday afternoon reversed early falls in share prices and put the market back on the bull tack. A recovery in stock index futures provided the trigger for the upturn in equities but sentiment was also encouraged by favourable reports from US Purchasing

in early trading, a dull trend in the US dollar restrained the international blue chips and the FT-SE Index sagged by 8.8 points. But trading volume was very slow in the first couple of hours of the trading session.

The turn came when the December contract on the FT-SE Index found support again and re-established a premium after the weakness of the past two sessions. Share prices quickly moved higher, and trading volume increased as ground was recaptured.

The market closed virtually at the day's best, with a gain of 15.3 taking the FT-SE Index to 2,769.8. Seaq volume finally totalled 605m shares compared with 426.7m on Monday when retail or customer business fell away to only £879.6m; this retail figure represents a fall below the daily averages of around £1bn recorded steadily since Britain quit the ERM in mid-September.

Traders commented that the market's volatility reflected its underlying confidence for the near term. While few strategists wanted to be drawn on prospects for favourable news from this morning's meeting at the Bundesbank - news that a press conference has been arranged failed to stir excitement - but there are still

interest rates could be trimmed

by at least half a point before the end of the year.

The best news of the day came from across the Atlantic when the US National Association of Purchasing Management (NAPM), in its semi-annual economic report, said that the outlook for US retail sales was the brightest for three years. The past fortnight has some hopes that domestic seen the London market

responding readily to indica-

TRADING VOLUME IN MAJOR STOCKS

tions of economic improvement in the US.

By the close, the internationals were mostly firmer on the day, although, with the Dow Average down 1.90 in London hours, support from New York was very selective. One Far Eastern house active in London has urged clients to "Buy the Footsie, sell the Dow". adding that the UK is a likely switch for US equity investors

now that the near term currency depreciation of the dollar seems to be over. However. a poor exception among blue chips yesterday was ICI, still out of favour with the UK investment community.

A sharp cut in UK petrol prices by BP caused some surprise but strategists were unwilling to read too much into the move, in terms of benefit either for the consumer or industry in general.

Retail and store issues. regarded as the sector likely to show the first signs of benefit from economic recovery, continued to move shead in modest trading. Brewery stocks were in better form.

But the best gains came in sectors which are deemed to have suffered over-severely as the stock market has slowed down over the past few sessions. Water stocks came in for

renewed buying. A steadier trend in the Hong Kong market helped those UK stocks which have been vulnerable to shocks from this direc-

Account	Dealing	Dates
*First Dealings: Nov 30	Dec 14	Jan 4
Option Declaration Deg 18	Dec 36	Jan 14
Last Dealings: Dec 11	Dec 31	Jan 15
Account Days Dec 21	Jan 11	Jun 25
Here tipe dealing	s may take	place from

collapse of the European

Fighter Aircraft (EFA)project may be averted helped senti-

ment and the shares rallied to

Shares in international con-

close a penny lighter at 140p.

glomerate Lonrho continued to

attract attention and they

closed a penny firmer at 74p.

on vague talk in the market

late in the day, that chief exec-

utive Mr Tiny Rowland would

soon announce the sale of part

of his holding in the company,

disposal. Turnover which had

languished for most of the day

had jumped to 1.3m by the

■ Other market statistics. Page

MARKET REPORTERS:

Joel Kibazo,

Christopher Price,

Stave Thompson.

Legals helped

A POSITIVE meeting on Monday evening between Legal & General (Legals), the insurance group, and Morgan Stanley, one of the most influential of the US investment banks, was the trigger for an outstanding performance by L & G shares.

The shares ended a busy session 14 higher at 423p, a rise of 3.4 per cent against a 0.6 per cent gain in the Footsie and a generally lack-lustre showing by the rest of the insurance

Morgan Stanley's insurance specialist, Mr Youssef Ziai, said L&G had indicated that the domestic mortgage indemnity problems that have dogged L&G as well as other UK insurance groups had been addressed and that there was now some light at the end of

the tunnel. Mr Ziai also said it was encouraging that L&G's marhad continued to pick up, rising from around 31/2 per cent in the first quarter of the year to 3.9 per cent by the third quarter, with a figure of 4.5 per cent

now in prospect. The US investment bank did not alter its profits expectations for L & G but emphasised the 12 per cent discount to net asset value and the possibility that the group may nudge up the final dividend.

Forte doubts

Reversing its initially guarded support for Monday's

NEW HIGHS AND LOWS FOR 1992

MEW HIGHS (70).

OTHER PIXED INTEREST (1) Utd. Mex. Sector 16 to pe 108, AMERICANS (4) Amer Express, California Energy, Chrysler, Dans. BREWERS (2) Bulmer, Taunion Cider, SLDG MATLS (1) Angilan, SUSINESS SERVS (2) Hays, Wille, CHEMS (2) Crode, Evode, CONCLOMERATES (2) Amer Free A, Warnall, ELECTRICITY (2) Scot, Hydro, Scot. Vassall, ELECTRICITY (2) Scot. Hydro, Scot Power, ELECTRONICS (5) Cray, Electrocomps., Farnell, Lexicon. Tunstall, ENG AERO (1) Smiths Inde., ENG GEN (3) Carcto, Siebe. FOOD RETAILING (2) Argyll, Kerk Save, HEALTH & HEEHOLD (2) Quality Care Homes, Utd. Drug, HOTELS & LEIS
(2) Sleepy Kids, Stalds, Vardon, INSCE
COMPOSITE (1) Domestic & Gen., BISCE
LIFE (1) Retuge, INV TRUSTS (12) Broadgete
Drayton Blue Chip Zero Pf., Firng. Inc. &
Cap. Zero Pf., GT Venture, Do Wis., Gartmon. Scot. Zero Pf. I & S Optimum Inc. Zero Pt. Law Debenture, Murray Spik Gap. Zero Pi, Sphere Zero Pi, TA Toch., Do Stppd. Pi, MEDIA (6) Central ITV, EMAP, Metal Bulletin, News Inst., Reed Intl., Utd. News. MTL & MTL FORMING (1) Johnson Matthey, MISC (3) Airsprung Furn., Faber Prest, Rothmans, OTHER FINCL (1) Ocvett, OTHER NOUS (2) Cookson, Staveley, PACKG, PAPER A PRINTG (3) Capital Inds., Macteriane, Portals, STORES (5) Boots, GUS A, MFI, Smith (WH), Storehouse, TELE NETWORKS (1) Vodefone, TEXTS (1) Claremoni Germis., TRANSPORT (1) Tibbett & British, Mines. (1) Mount Burgest. MEW LOWS (34). AMERICANS (1) Amdehi, BREWERS (1) Janin, BUSINESS SERVS (1) Macdonald Martin, BUSINESS SERVS (1)
BET, CHEMS (2) Caird, Do 70 Pl. '08, CONTG
a CONSTRON (2) CRP, Melville,
ELECTRICALS (1) Clarke (T), ELECTRONICS
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Beautierd To Pl., Wedman, FOOD MANUF
(1) Sentry, Ferming, HOTELS a LEIS (3)
HI-Tec, Ryan, BN TRUSTS (2) Eng. &
Caledonian, Lon. & Systatelyde, MEDIA
(2) Birkdale, Chikara Radio, Oil. & GAS

disposal of Gardner Merchant by Forte, the stock market began to show misgivings yesterday when several brokers hinted that they were considering downgrading profit forecasts in the hotel group. Criticisms expressed were that the deal could ultimately prove dilutive and that Forte should have taken the extra cash rather than retain a stake in the new venture.

With hotel trading expected to make only a slow recovery. earnings growth may be restricted and some believe the hotel group's dividend to still be at risk. The shares slipped a penny to 166%p. County Nat-West was recommending a switch out of Forte and into Ladbroke, the shares jumping 8 to 196p. UBS Phillips and Drew is also forecasting the stock to be one of its 10 star

TI hurt

performers in 1998.

Engineering company TI Group registered one of the largest falls in the aerospacerelated sector after the news that North West Airlines of the US had cancelled orders for 74 aircraft manufactured by the European Airbus consortium. Analysts said the news

would hit TI through its Dowty Group subsidiary, which was acquired after a hostile bid earlier this year. It makes the landing gear on the aircraft.

The shares responded by bucking the strong market trend and closed 7 lower at 296p, after trade of 3.7m. Mr Chris Avery at Smith New Court said: "This further deterioration in Dowty's prospects will make it harder for TI to avoid a material earnings dilu-

tion in 1993." Oil shares delivered another dismal showing, affected mostly by the decline in the dollar against sterling. BP retreated 4 to 224p on turnover of 8.6m with the market acutely disappointed by the outcome of BP's presentation to UK and US oil specialists on

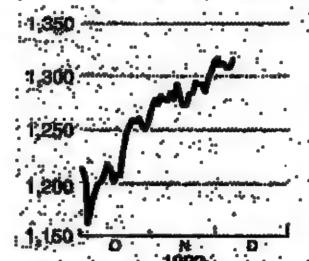
Monday. At the meeting Mr David Simon, BP's chief executive appeared to rule out an increase in BP's dividend before 1985. "The bulls are in disarray and the bears in the ascendancy," said one analyst. Some of the market's more bullish analysts had expected a return to dividend growth by 1993/4 while the bears had not expected such a move until

The US specialists, who have promoted much of the buying interest in BP shares in recent months and increased US interest in the stock to around the 21 per cent level, were said to have been especially dismayed by the dividend news.

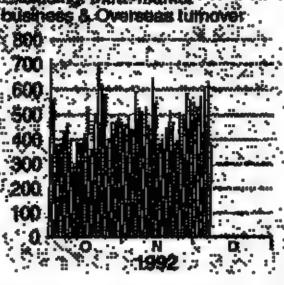
Switching from BP to Shell saw the latter edge up 3 to 545p on 3m. Enterprise retreated 9 to 447p and Lasmo 8 to 154p. the latter on heavy turnover of

3.6m.With the market beginning to adopt a more positive outlook for domestic mortgage indemnity composites with big exposure in this area performed relatively well. Sun

FT-A All Share Index



Equity Shares Traded Turnover by volume (million)
Enchaling: Intra-methet



Alliance, acknowledged as having the biggest indemnity exposure, managed a minor improvement at 330p. Royal Insurance, however, moved up strongly, boosted by the better nect that the shares are one of the favourites for inclusion in the prestigious Footsie-100 list when the FTSE steering committee meets today. At the close Royal shares were 5 better at 265p with a hefty 6.4m traded. A block of 1.5m Royals

was easily absorbed the market early in the session HSBC and Standard Chartered were outstanding performers in an otherwise subdued banks area of the market with dealers taking the view that both stocks had been over-

HSBC raced up 15 to 479p on good turnover of 3.8m shares, while Standard Chartered. along with Royal Insurance, one of the front-runners for inclusion in the Footsie-100.

advanced 13 to 523p. Abbey National slipped 4 to 354p after reports that Smith New Court had reduced their profits estimates for the bank. Results in line with expectations from Vaux were given the added boost of a main-

tained dividend. Investors were attracted by the fact that the stock goes ex on Monday. Although the

brewery and hotel group said

8.08

19.37 59.4

24,306

Shares traded (mil)† - 378.9 530.6 † Expluding intra-market business and overseas turnover.

Saming yid. % full P/E ratio net

SEAO Bargales Equity Turnever(Emiri Equity Bargains†

FINANCIAL TIMES EQUITY INDICES

19.29

70.9

"for 1882 Ordinary share Index aince compilation; high 2148.7 22/5/92 - los Gold Mines Index aince compilation high: 734.7 15/2/63- low 43.5 25/10/71 Seals Ordinary share 1/7/86; Gold Mines 12/9/35.

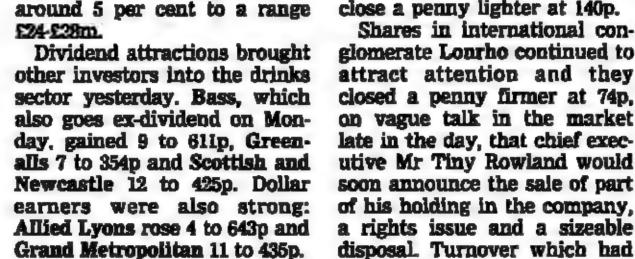
19.34 71.6

30,488

Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

31,737

trading conditions had been tough, business had improved since the year end in September. Brokers downgraded by



Vague hints that trading was under pressure at Burton were heard, with suggestions from some corners that business at both Debenhams and Burtons outlets was suffering. However, one leading analyst was largely dismissive arguing that the recovery in the retail sector was still very patchy and that any short-term downturn was not surprising. The shares slipped a half-penny to 621/4p. James Capel was said to have BRITISH FUNDS returned positive on margins from a visit to Boots, the

shares lifting 6 to 534p. The food retail sector Treas 8 t.pc 1983 ____ reached a 5-year high against 12 2pc 1983 | ____ the FT-All Share index, Treas 8 t.pc 1983 | ____ the FT-All Share index, Treas 13 t.pc 1993 | ____ the FT-All Share index, Treas 13 t.pc 1993 | ____ the Index | _____ the Index | _____ the Index | _____ the Index | _____ the Index | ______ the Index | although turnover was thin 14120c 1994 have overrun. Argyll and Sainsbury led the way, rising 6 Trees 9pc 1984## to 405p and 5 to 542p respect East 3pc 6as 90-95... tively. The volatile Kwik Save Times 124 pc 1995 jumped 13 to 788p.

Rumours of further downgrades in ICI undermined the Box 134gc 1998# stock, although no firm evi- Trees 1314pc 1997# dence was forthcoming. The Etch 10 200 1987 Trees 8 Lpc 197 ### 1980 pc Govett, had slashed its profits forecasts for 1993 and 1994 on Monday, blaming weak trading Free to Fifther Years conditions in October. The shares declined a further 9 yes- Times 8-upc 1998 (925 rd) terday to 1016b.

Tadpole Technology, the computer software group, followed up Monday's highly successful market debut with how 1300 2000 another strong run, the shares surging a further 28 to 113p; they were originally placed with investors at 65p a share by Henry Cooke Lumsden, the

stockbroker. Shares in British Aerospace had a volatile session. They fell 7 to 134p, early in the day on the cancellation by North West Airlines of its Airbus aircraft order. BAe not only builds the wings on the aircraft but is also a 20 per cent partner in the Airbus consortium.

However the belief that the

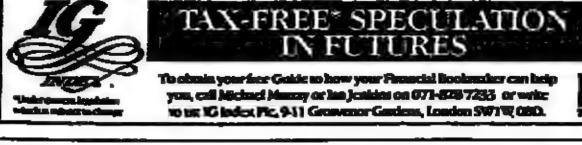
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Year ago

21.21

34372

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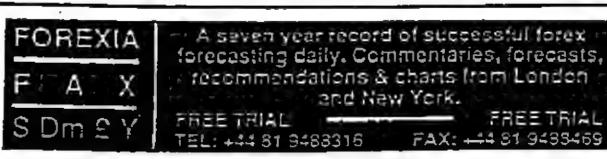
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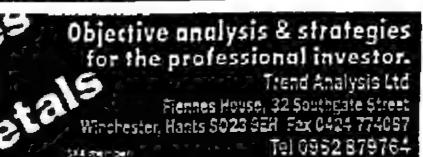
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THE UK SERIES Actuaries Share Indices FT-A ALL-SHARE FT-SE 100 FT-SE MID 250 2769.8 +15.3 1314.54 +6.27 2682.0 +7.7 2825.8 20/5/92 FT-SE-A 350 13455 2675.5 1332.5 2676 0 26755 2674.6 2674.2 26788 2676 9 1332.1 1332.2 13321 Gross dividend yield (ACT at 25%) FT-SE 100:4.42 %

Tuesday December 8 1992

FT-Actuaries All-Share

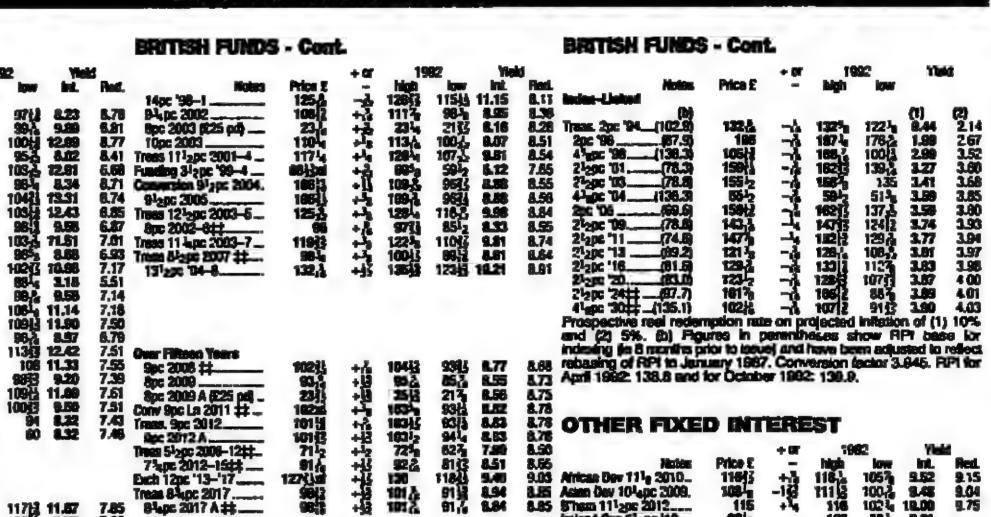
EQUITY GROUPS

									7	4	3	(Approx.
	Fig	& SUB-SECTIONS ures in parentheses show number of stocks per section	Index No.	Day's Change	Est. Earnings Vield® (Max.)	Gross Div. Yield% (Act at (25°a)	Est. P/E Ratio (Net)	rd adj. 1992 to date	index No.	Indez No.	indez No.	Indêz No.
)		CAPITAL G000\$ (175)			7 03		18 51					
		Building Materials (23)		+0.1	6.65	6.83		37 11				
	2	Contracting, Construction (26)		-20.5	4.22 7.34	7.60 6.61	64.74 17.82	37 49 108 10			652 41	917.04 2344 31
	7	Electricals (9)			7 03	3 94	18 06	51.29		2239.52 2187.72		
	3	Engineering-Aerospace (6)		-0.1	13.16	8.74		15.92				
	7	Engineering-General (43)	470.50		8.52	4.99	14.98	16 90				
,		Metals and Metal Forming (7)			5.65	4.28	25.83	8.52				
1	9	Motors (15)	350 77	-05	5.80	6.71	25.15	17.59			344 92	
•	10	Other industrials (18)	1878 48	+0.5	6.65	4.47	18 18	61.23		1868.39		
•	21	CONSUMER GROUP (192)		+0.8	673		18 47	41.31			1715 28	
•		Brewers and Distillers (25)			8.17	3.72	14.84				2027.70	
		Food Manufacturing (19)			8.16	4.15	15.30				1291 91	
	26	Food Retailing (18)	3220.54	+1.0	8.00	2,92	16.27				3129 73	
•		Health and Household (26)		+0.7	5 07	2.58	22.95				4312.41	
.	29	Hotels and Leisure (18)	1220 73	+1.0	6.85	5 64	19.19				1304.38	
	30	Media (26)	1740.03	+0.6	5.76	3.04	21 66	38 77	1729.25	1719.76	1727 78	1402.02
٠	31	Packaging, Paper & Printing (17)	764.51	-0.8	6.83	4.26	18.15	24.33	770 73		763.30	724 01
	34	Stores (33)	1144.54	+1.0	6.37	3 16	20 79	26 44	1132 67	1132.57	1137 74	970 61.
٠١	35	Textiles (10)	703.7B	+0.3	6.75	4.33	18.66	23 43				590 61
		OTHER GROUPS (115)		+0.4	8 90	5.01	13.95			1400.41		1156.43
١	41	Business Services (1,7)	1414.83	+0.3	6.27	3 60	19.54			1422.49		
	42	Chemicals (22)	1377.42		6 63	5.32	19.06		1376 16			
.		Conglomerates (10)		+0 B	961	9.18	12.90				1385 69	
	44	Transport (13)	2657.01		8.55	4 47	14.02	88.31	2648 68		2669.44	
١.	45	Electricity (16)	1525.90	+0.4	13.99	4.91	9.20	55.01	1520 15	1516 97	1498 78	1163.83
.]	46	Telephone Networks(4)	1653.95	+0.1	8.06		40.40	48.48	1652.33	1673 01	1682 42	1367.16
1	47	Water(11)	3210.55		14.18						3161 83	
		Miscellaneous (22)		+1.1	5.79		21.36				2423 48	
		INDUSTRIAL GROUP (482)			7.50	4.24	16.69				1389.51	
	51	Oil & Gas (18)	2116 82	-0.8	6.31	6 12	20.84	103.27	2133 54	2139 67	2152 41	2138 48
	59	500 SHARE INDEX (500)	1465.14	+0.4	7 38	4.43	17 03	44.69	1458.60	1458 44	1450 97	1293 64
	61	FINANCIAL GROUP (82)	841.13	+0.8	-	5.22	-	32.17	834.34	836.99	844 02	695.26
	62	Banks (9)	1145.74	+1.2	5.37	4.86	27.92	40.52	1131 %	1141.78	1157.54	798.57
	65	Insurance (Life) (6)	1738.16	408	- 1	5.23	-	68.18	1723.54	1715 78	1723 92	L353.32
'	66	Insurance (Composite) (7)	616.29	+0.3	- 1	4.89	-	22.58	614.36	613.30	615.92	503 75
	67	Insurance (Brokers) (10)	703 03	-06	8.85	7.59	15 19	_			707 22	976 68
	68	Merchant Banks (6)	475.50	+0.3	-	4.81	-	16.75			465.28	453 36
	69	Property (30)	610.83		8.89	6.89	14.76	28 61			609.86	
	70	Other Financial (14)	272.73	+0.2	7 35	6.14	17.91	10.81	272.09			230 30
		Investment Trusts (69)			-	3.42	-	31 02	1272.02	1269.20	1273.65	
		ALL-SHARE INDEX (651)			-	4.51	-				1312.13	

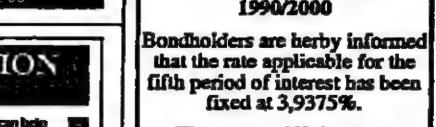
T-SE	Act	uaries	350	Ind	ustry	Bask	ets				Previous	
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estres solth & H	1293.5 1319.5	1294.5 1318.2	1294.5 1319.0	1292.0 1318.1	1290.0 1318.1	1288.9 1318.6	1288.9 1321.2	1287.8 1325.5	1291.4	1291.4 1329.8	1288.7 1320,1	+27 +9.7
Inter	1320.4	1320.0	1320.0	1320.0	1320.0	1322.0	13226	1323.4	1328.1	1327.4	1320.0	+7.4

Additional information on the FT-SE Actuaries Share Indices is published in Saturday lesues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9Ht. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FtNSTAT at the same address. The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-Actuaries Alf-Share Index is compiled by The Financial Times Limited, both in conjunction with the institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. The international Stock Exchange of the United Kingdom and Republic of Iretand Limited 1992. The Financial Times Limited 1992. All rights reserved. "FT-SE" and "Footsle" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited

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TURNOVER in stock index futures moved sharply ahead in a volatile session which saw increased rolling of positions forward into the March con-

(1) Ranger, PACKQ, PAPER & PRINTS (1) Blagden, PROP (2) Marithesth, Ossory Ests., Power Corp., STORES (2) Colorvision, Oliver, TEXTS (2) Campari, Cupid, TRANSPORT (1) LOF's, MINES (5) East Rand Prop., Harisbest, Northam Plat., Renison,

tract, writes Joel Kibazo. The December contract ou the FT-SE opened strongly at 2,764. However, attempts by independent traders to send it higher proved fruitless and December went into decline as

some leading institutions turned sellers, sending December to the day's low of 2,753 at around 11 pm. A sizeable share of the selling was initiated by a desire to roll out of December and into the March contract, which helped add to the

day's overall volume. Dealers said a reasonable amount of arbitrage was carried out at the lower levels.

The drying up of such activity, coupled with dealers covering short positions, led to a turnaround in the fortunes of the December contract and it advanced throughout the

London resort and latest Share Index

afternoon. It finished at 2,775, up 18 on the previous session and around 3 points above its estimated fair value premium to cash of about 4. Turnover

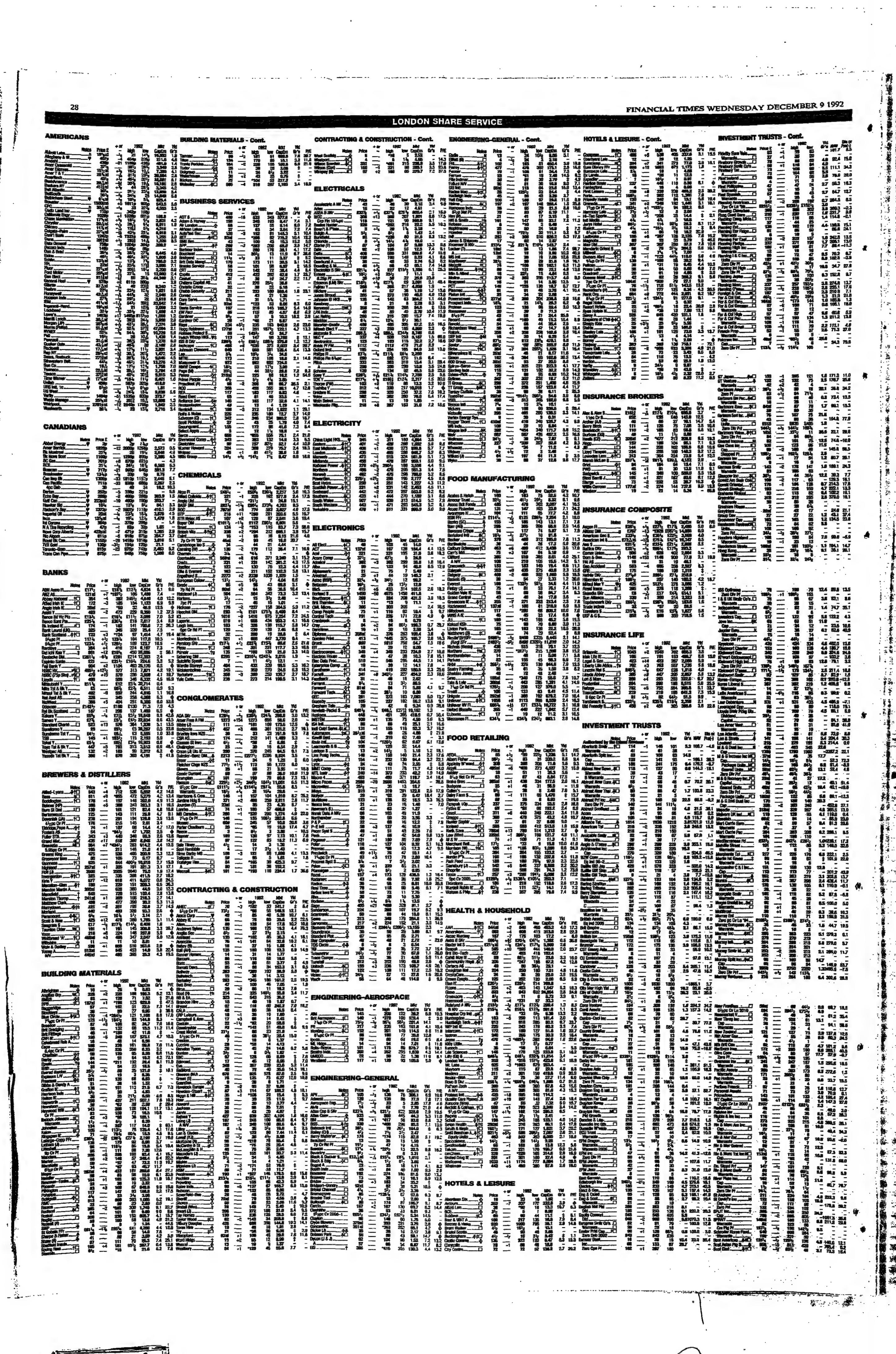
reached 10.911 contracts. In traded options, the FT-SE 100 option was again particularly busy accounting for around half of the day's total volume of 24,209 contracts, just ahead of Monday's figure. HSBC was the busiest stock option with a day's total of 2,590 contracts. Abbey National was next trading a

total 737 contracts.

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European Growth ... 54, 70.60 70.60 75.17 -438.2 09
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Intl Growth ... 54, 23.22 23.22 24.78 -0.21
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INE FOOTSE FUND ... 44, 101.8 101.94 107.5 -0.6 2.65 Ficiality Investment Servs Ltd (1200)F 130, Tombridge Rd, Tombridge TN11 90Z Califree: Private Clients 0800 4141A1 Broker Desilings 0800 4141B1 Premium Life Unit Tst Mages Ltd (1400)F 37 Perymoust Rd, Haywards Heath 0444 458721 Mouthly Income 6140,24 42.01 44.531-00215.26 Principal Unit Trust Minum Ltd (1600)F 16 South Park, Sermonic, Kest TK13 IAN 0732 740700 Principal Fst.54, 108.62 110.23 117 27 Feb 642.58 | Supplied Ref. | Supplied Ref. | Clos | Capillal House | Unit Tet Mays | Classification | Supplied Ref. | Sup Commercial Union Tst Mgrs (1200)F

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FOREIGN EXCHANGES

Dollar resists positive data

THE DOLLAR lost ground against a wide range of currencles yesterday despite recent positive economic news from the US. Meanwhile sterling performed very strongly against the dollar and continued its assault on the DM2.50 level which it tested last week. writes Peter John.

The US currency opened at DM1.5787, down from Friday's close. Foreign exchange dealers said that concentration on European currencies ahead of the EC summit in Edinburgh ensured that the dollar remained on the sidelines. Also, comments from the Bundesbank reaffirming commitment to current interest rates prompted some weak-

Mr Mark Austin, an economist with the HongKong Shanghai Bank said; "People have been holding long positions on the D-Mark which they have been closing up. There was also a story that a the French finance ministry, year, the Bank of Slovenia said slightly stronger performance of the US economy would make Clinton less liable to make fiscal changes."

The dollar was further affected by heavy switching as investors moved into Swiss francs after Switzerland's rejection on Sunday of closer European ties in the European

2 IN NEW YORK

£ Spot	132-1 412-4	44gm 29gm 02gm	5600 1.5610 0.43 0.41pm 1.27 1.24pm 3.75 3.65pm o the US dollar
S1	ERLIN	G IND	Prefes
8.30 as 9.00 as 10.00 as 11.00 as Noon 1.00 ps 2.00 ps 3.00 ps	A	81.1 81.0 81.1 81.1 80.9 80.9 61.0 81.2 81.2	81.0 81.3 61.2 81.2 81.1 80.9 80.7 80.7

CURRENC	Y RATES

Dec 7	Bank # rate	Special * Drawing Rights	European I Currency Unit				
Sterling U.S. Dollar Caradian S Austrian Sch Belgaan Franc Dasich Krone D-Mart Detch Gullder French Franc Nation Lira Japanese Yen Norway Krone Spanish Peseta Swedish Krona Swedish Krona Swedish Krona Greek Drach Irish Pant	- 3.00 6.18 8.25 7.75 9.50 8.25 7.75 10 13.00 3.25 - 11.50 6.00 19	0 882391 1.34109 1.77767 15 4578 45 2695 8.53086 2.19709 2.46891 7.46230 1930 87 173 469 8.97670 158 746 NJA 1.96422 NJA NJA	0.789341 1.24519 1.59010 13.8290 40.4436 7.61929 1.96563 2.20871 6.68666 1726.62 155.188 8.02522 141.416 8.45170 1.75945 258.463 0.742287				
4 Bank rate refers to central bank discount rates.							

These are not quoted by the UK. Spain and ireland the European Commission Calculations. All SOft rates are for One 4 CURRENCY MOVEMENTS

Dec 7	Bart of England Index	Morgan Guaranty Changes %
Sterling U.S Dollar Canadian Dollar Austrian Schilling Beiglan Franc Danish Krone O-Mark Swiss Franc Dutch Guilder French Franc Lira Peseta Peseta	81 2 65 0 94.0 114.1 115 6 115 8 124.9 112.7 119.3 108.7 86 9 149.2 96.7	+29.77 -11.80 -7.96 +15.64 +1.35 +9.49 +30.78 +20.39 +20.51 -8.05 -29.73 +65.87 -25.43
Morgan Guara 1980-1982 = 100 Ba Average 1985 = 1001 *	'Rates are for	Dec.4

Dec 7	3	\$					
Argentina	1.5660 - 1.5690						
Aostralia Brazil	2.2820 · 2.2840 16518.5 - 16529.0	1.4435 - 1.4445 1.0441.5 - 1.0442.5					
Finland	7.9000 - 7.9630	5.0400 - 5.0600					
Greece	323 850 - 330 350						
Hong Kong	22.2340 + 12.2465 2190.00°	1450.00°					
Korea(SU)	1215 25 - 1234 85	783 20 - 789.40					
Kunsali	0 47475 - 0 47535 51 45 - 51.55	0.30000 - 0.30030					
Malaysia	4,0140 - 4,0215	25403 - 25415					
Mexico	4927 45 - 493L 10						
14 Zealand	3.0485 - 3.0525 5.8120 - 5.9075	1.9270 - 1.9295 3.7495 - 1.7505					
Saudi Ar _ Singapore	25890 - 25955	1.6395 - 1.6405					
S.Ai (Cm)	4.7400 - 4.7510	3.0045 - 3 0065					
SAIGH	7.4100 - 7.4625 40.10 - 40.25	4 6840 - 4 7170 25.35 - 25 45					
Talwan	5 5910 - 5.7850	3.6715 - 3.6735					
"Floating rate, Iran Official rate: £99.70 \$66.20							

MONEY MARKETS

STERLING futures fell as

dealers adjusted positions yes-

terday and the belief hardened

closed nearly three pfennigs lower against the D-Mark at DM1.5685 and bit SFr1.4000, down from SFr1.4335 previously. It was slightly weaker against the Yen.

Economic Area. The dollar

The Swiss franc had suffered initially as the Swiss decision was considered poor for the Swiss economy and for Switzerland as an investment cen-

However, the buyers who finally prevailed believed capital flows were in no danger. and a 'no' took Switzerland further away from any association with trouble in the ERM.

That "safe-haven" benefit came into play again as rumours resurfaced that the French franc could be devalued. A press article saying that France was prepared to devalue its currency struck a chord with a number of deal-

Despite a strong denial from the franc slipped to FFr3.408 in its November bulletin.

EMS EUROPEAN CURRENCY UNIT RATES										
	Ece Central Rates	Currency Amounts Against Sco Dec 7	% Change from Central Rate	% Spread to Western Corrency	Ofvergenza Indicator					
ortuguese Escodo	182 194 143,386 40,6304 2,21956 1 96992 0,736334 6,60683 7,51410	174.974 141.416 40.4436 2.20871 1.96553 0.742287 6.68665 7.61929	-3.% -1.37 -0.46 -0.49 -0.22 0.95 1.21 1.40	5.58 2.81 1.87 1.90 1.63 0.45 0.19 0.00	3.4.8.8.2.4.将将					

CURRENCIES, MONEY AND CAPITAL MARKETS

against the D-Mark.

opening.

credit spending.

Sterling continued to push

against DM2.50. By the close of

dealing in London the pound

was at DM2.490 against

DM2.4875. It also rose to \$1.5875

after hitting a peak of \$1.6020,

some three cents above its

Economists said the pound

was still in favour for its isola-

tion from the tension in the

ERM rather than a fundamen-

tal recovery in the UK econ-

omy. However, it also received

a boost from a higher than

anticipated rise in consumer

Slovenia's tolar continued to

strengthen against other cur-

rencies in former Yugoslavia

in October, the anniversary of

its introduction, figures from

the newly-independent coun-

The tolar, introduced at par-

ity to the Yugoslav dinar on

October 8 1991, averaged 17.85

per 100 dinars in October this

try's central bank show.

LIFFE LINE GILT FUTURES OFTENS CSA, UND 1400 IL 180%

LIFFE ETIROMARK OPTIONS BACLOS Relats of 180%

LIFFE EURO SWISS FRANC OFTENES SFR Im points of 100%

LONDON (LIFFE)

5200,000 32ms of 100%

6% HOTEINAL GERMAN COVT. BIND * BM258,890 1890b of 199%

Estimated volume 42820 (66953) Previous 427's open lat. 142674 (149080)

12% NETFORAL TTALIAN COVT. BOND (STP)

Estimated volume 3631 (6494) Previous day's open Int. 20334 (20165)

Est. Vol. (luc. figs. not shown) 46239 (419 Previous day's open let. 25),804 (250366)

Est. Vol. (lac. (kgs. pot. shows) 2184 (965) Previous day's open lat. 28647 (2865)

Estimated volume 52851 (74785) Previous day's open Int. 429069 (429408)

Estimated enhance 6965 (5725) Previous day's open int. 45420 (44538)

THREE MANTH EUROLIZA DIT. RATE LIRA 1,000m points of 100%

Estimated volume 1785 (1399) Province day's open int. 21666 (21951)

Estimated volume 10439 (7302) Previous day's open Int. 46219 (46080)

POUND - DOLLAR

2792.0 2820.0 2832.0

* Contracts traded on APT Closing prices shown.

FT-SE 100 INDEX **
625 per full lader petal

THESE MINTH SURSONLAR
Slm points of 188%

THREE MONTH EUROSLANK DM Im points of 106%

THREE MINTH ECU ECU las pobals of 198%

108.46 107.81

96.24 96.24 95.74 95.25

91.06 92.13 92.81 93.15 93.36 93.62

93.50 94.23 94.66 94.82

2754,0 2786,0 2786,0 2829.0

Close 108.46 107.83

LIRA 200m 1800hs of 100%.

THREE MONTH STERLING CSOQ, FOR pulses of 180%

FINANCIAL FUTURES AND OPTIONS

LETTE US TREASURY BOND POTURES (PTIDES \$100,000 640s of 180%

COTTORS Lies 200m 1800s of 188%

CHICAGO

U.S. TREASURY BORDS (CBT) 8% 5109,000 32mb of 100%

101-22 102-17 102-11 101-05 100-01

D.S. TREASURY RELLS COME Sim points of 180 %

1.5780 1.5654 1.5580

PHILADELPHIA SE E/S OFTIONS 631,250 (cents per EL)

SKISS FRANC (DEA) SF: 125,800 S per SP:

1.5030 1.5700 1.5580

0.7092 0.7045 0.7010

104-12 103-06 102-02 101-03 100-00

1.5578 1.5546 1.5500

0.6890 0.6870

Previous day's open int: Calls 608,663 Pats 673,769 (All currencies) Previous day's volume: Calls 22,918 Pats 18,027 (All currencies)

7 to 10 YEAR 10% MITSHAL FRENCH BOND GLATDY FUTURES

Sett price 110.16

111.18

89.73 91.30 92.13 92.48

1808.0 1823 5 1840.0 1853.0

volume 6,306 † Total Open Interest 159,330

Opes 110.30

111.24 111.60

89.85 91.32 92.15 92.60

1819.0 1834.0 1856.5

Exhibited volume 10,351 f Total Open Interest 38,746

December 107.10 106.90 +0.00 Estimated volume 2,465 † Total Open Interest 13,724

0.61 0.21 0.03 17,577

Open un.
Estimated volume 15,424 † Total Open interest, 392,672.
† All Yield & Open Interest figures are for the previous day.

Adam & Company Alties Trust Bank

B & C Merchant Bank ...

Bancu Bilbas Vizcara ...

Bardays Bank Brit Sk of Mid East

CL Bank Nederland

Oty Merchants Bank Clydesdale Bank

Co-operative Bank ____

Bank of Baroda.

Bank of Cypres. Bank of treland.

Baeck of India ..

O Brown Shipley ..

Citibank NA

Coetts & Co

Bank of Scotland

AIB Bank Heary Arabacher .

OPTION ON LONG-TERM PROJECT SONO OLATER)

CAC-40 FUTURES (BATTE) Start Index

Stimuted volume 88,812 † Total Open Interest 250,670

0.6949 0.6917

+0.12 +0.16 +0.16

-0.06 -0.07 -0.02

BASE LENDING RATES

Credit Lyonasis...

Cyprus Popular Bk Descan Liberie

Ensatorial Bank plc

Earter Bank Limited

Financial & Gen. Bank.

Robert Flessing & Co.

Habib Basis AG Zorich

Heritable & Gos lov Bok.

Hampshire Trust Plc ____ 13.5

Guinness Mahen ..

● Hill Samuel .

C. Hoare & Co. .__

Hongkong & Skangkai ... Julian Hodge Bank

Leopold Joseph & Sens...

Meghraj Bank Ltd ____

CORPORATE IDENTITY

1832.5 1832.5 1834.0 1862.5

97 No. 104-11 103-05 101-31 100-24 99-20 98-23 97-26 95-28 95-18

LIFFE BUILD FUTURES OFTENS PACES ,600 poleta et 130%

JAPANESE YEN (IMID) Y12.5m \$ per Y100

DEUTSCHE MARK (IMB BB125,000 \$ per BB

THREE-MONTH ZUBSCOLLAR GRAD Sin prints of 188%

96.23 96.22 95.74 95.24 91.55 94.34 93.97 93.68

Low Prev. 431.90 432.70 432.80 433.55 433.60 434.40 434.80 435.50

1 Open fat 104,854

125,578 19,038

29,510 67,389 30,927 18,449

24,741 5,260 450 4,027

3.32 8.27

96.27 95.33 95.33 94.63 94.05 93.76

FIRM 433.25 434.15 434.85 435.95

111.06

99.70 91.28 92.10 92.43

1799.0 1819.0

1834.0 1856.5

McDownell Desglas 8nk . Médiand Back

Northern Bank Ltd

Introfft Mortogge Bank

Rocharghe Bank Ltd. Royal Bit of Scotland

Smith & Williams Secs.

Standard Chartered

Unity Trust Bank Pic .___

Whiteaway Laldlaw .___ Yorkshire Bank ____

Members of British Merchant.

Banking & Securitles Houses Association.

Mozat Banking.

Rea Brothers

haibank olc _ • United Bk of Konsak

Ecu central rates set by the European Commission, Correncies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum perpoteted percentage deviation of the currency's market rate from its Ecu central rate. 117/9) Sterling and Italian Lira suspended from ERML Adjustment calculated by Financial Times.

Det 7	Day's spread	- FORWAR	One trignish	% p.1	Tires months	ND %
Horney	1 5630 - 1.5885 1 9885 - 2 0245 2 7840 - 2 8080 51 00 - 51.55 9.6100 - 9 7000 0 9385 - 0.9425 2 4825 - 2 4995 220 25 - 222.05 178 05 - 180.00 2177.50 - 2195.60 10 1220 - 10 2130 8 4220 - 8.5105 10.6470 - 10.7460 194 50 - 196 00 17.42 - 17.58	1.5870 - 1.5880 2.0185 - 2.0195 2.7950 - 2.8050 51.45 - 51.55 9.6750 - 9.6850 0.9410 - 0.9420 2.4875 - 2.4925 220 75 - 221.75 178 05 - 178.35 2190.25 - 2191.25 10 1900 - 10.2000 8 4800 - 8.4900 10.7100 - 10.7200 197.00 - 198.00 17.52 - 17.55 2.2175 - 2.2275 1.2670 - 1.2680	0.46-0.44cpm 0.16-0.31cpls 3-1cpls 5-11cpls 91-13creds 1.95-0.90cpm 1-12-166cds 132-166cds 14-17licpls 91-25-3cds 21-3cds 41-47creds 1-12-12-16 0.44-0.50cpls	**************************************	1.28-1.25pm 0.32-0.53qs 14-1-4ds 16-24qs 16-24qs 16-21-4ds 3.00-1,70pm 1-14-0s 368-954ds 36-44ds 16-32-4ds 64-73-ds 10-11-4ds 14-14-pm 64-85-ds	319 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
Conunercial r 3.82-3.72pm	ates taken towards t	ne end at Landon trad	ing, Six-month for	ward dol	ar 2.34-2.29pm . 1	2 Most

Dec 7	Day's spread	Close	Cae seanth	% g.a.	Three	16 12
Kt	1.5630 - 1.5885	1.5870 - 1.5880	0.46-0.44cpm	3.40	1.28-1.25pm	3.1
relandt	1.6540 - 1.6840	1.6800 - 1.6810	3.50-2.00cpm	19.64	6.00-4.00mm	11.9
anada	1.2750 - 1.2785	1.2760 - 1.2770	0.43-0.55cdb	-4.54	125-13566	-40
etherlands.		1.7630 - 1.7640	0.81-0.84cdis	-561	2.22-2.286	-51
eighm:	32.35 - 32.75	32.40 - 32.50	13.50-15.50cds	-5.36	38.00-42.00ds	-4.5
Swart .	6.0945 - 6.1830	6 0950 - 6,1000		17.71	12.00-21.00ds	-10 6
ermany	1.5680 - 1.5835	1.5680 - 1.5690	0.74-0.75pfdis	-5.70	2.02-2.04db	-5.3
ובפערים	139 80 - 141 00	139.80 - 139.90		18.88	460-570(0)	-15.0
14	113.65 - 113.75	113.65 - 113.75	125-1350%	13.72	325-355dh	-11.
aly	1379 75 - 1401.50	1379 75 - 1380.25	13.00-14.00 lives	H11.74	35.00-39.00db	-10.
CTWAY	6.4200 - 6.5050	6 4200 - 6.4250	0.80-2_30eredis	-2.90	1.50-3.20@s	-1.4
	5.3425 - 5.4230	5.3425 - 5.3475	3.12-3.32cdls	-7.23	8 80-9.20£s	-6.
recien	6.7475 - 6.8445	6.7475 - 6.7525	4,20-5,20 oredls	-8.36	11.50-13.000æ	-7.2
2020	124.30 - 124.95	124.35 - 124.45	0.04-0.03ypsq	0.34	0.04-0.02pm	0.1
estria	11 0730 - 11 2075	11.0875 - 11.0925	4.90-5.35grodb	-5.55	13.00-14.10ds	4.
ricertand.		1.3995 - 1.4005	0.32-0.34cdb	-283	0.92-0.9566	-2
TR	1.2345 - 1.2490	1.2475 - L2485	0.53-0.80cm	7.84	2.15-2.10pes	6.5

forward premians and discounts apply to the US dollar and not to the instriction currency.									
EURO-CURRENCY INTEREST RATES									
Dec 7	Short term	7 Days notice	(Jue Manth	Three Mostin	Sitz Months	One Year			
Sterling	7 - 61, 31, - 3 9 - 84, 87, - 84, 6 - 51, 87, - 94, 131, - 111, 88, - 84, 15 - 10	67.28.84.58.95.25.25.25.25.25.25.25.25.25.25.25.25.25	74 - 7 4 - 37 84 - 84 9 - 87 64 - 64 91 - 9 104 - 10 147 - 144 7 - 87 33 - 34 23 - 16 14 - 154	74 - 7 34 - 34 73 - 74 84 - 84 64 - 64 88 - 83 10 - 10 144 - 14 88 - 88 38 - 38 16 - 12 - 24 154 - 24	61 - 64 7 - 7 - 64 8 - 9 - 13 8 - 9 - 13 8 -	6H - 64 41 - 4 74 - 74 74 - 74 5H - 5H 74 - 74 91 - 9 14 - 134 8 - 74 34 - 31 11 - 105 21 - 2H 14 - 13			

kslan SSing Spanish Pesela Portuguese Esc	16 - 16 21 - 16	164 - 154	14 - 13 164 - 151 24 - 194	24 - 24 151 ₂ - 15 201 ₄ - 161	28 - 24 15 - 145 184 - 16	211 - 2 14 - 1612 - 15
.oug term Eurodoflar:	i: two years 5½	-5 per test, thre	e years 54-5.2	percent; four y	ears 6,4-64 per	cent; five ye
52-65, per cent non	ikud. Short ter	or rates are cal	I for US Della	s and Japanese	Yen; others, b	to days' noti

			EXC	AH	NGE	CR	0\$\$	RAT	ES			
Dec.7	£	5	OK	Yes	F Fr.	S Ft.	M FL	(Jra	CS	6 Ft.	Pla.	6
E	1	1.588	2.490	197.5	8.485	2.223	2,800	2191	2.019	51.50	178.2	12
5	0.630	1	1.568	124.4	5.343	1.400	1.763	1380	1.271	32.43	112.2	0.7
	0.402	0.638	1	79.32	3 408	0.893	1 124	879.9	0 811	20.68	71.57	0.5
YEN	5.063	8.041	1261	1000	42.96	11.26	14.18	11094	10.22	260.8	902.3	4.4
F Ft.	1.179	1.872	2.935	232.8	20.	2.620	3,300	25/2	2379	60.70	210.0	1.4
S Fr.	0.450	0.714	1.120	88 84	3.817	1	1.260	985.6	0.906	23 17	60.16	0.5
# FL	0.357	0.567	0.899	70.54	3.030	0 794	2	782.5	0.721	18.39	63.64	0.4
Line	0 456	0.725	1.136	90 14	3.873	1.015	1.278	1000.	0.921	23.51	81_33	0.5
CS	0.495	0.787	1.233	97.82	4.203	1.101	1_387	1005	1	25.51	88.26	0.0
Tft.	1 942	3.083	4 B35	383.5	16.48	4.317	5.437	4254	3.920	100.	346.0	2
Pia	0.561	0.891	1.397	110.8	4.762	1.247	1.571	1230	1133	28.90	100.	0.7
Eco	0.789	1.252	1.964	155.8	6.642	L753	2.208	1728	1.592	40.62	140.5	

FT FOREIGN EXCHANGE NATES 1-mth. 3-mth. 6-mth. 12-mth. 1.5830 1.5748 1.5643 1.5498 Yen der 1,000: Fredch fr. der 10: Lira der 1,000: Beiglan ff. der 100: Peseta der 101

(11.00 a.m. Dec.7)	3 marite 25 datas	6 amilio	US Dollars
tid 3%	affer 34	bid 3H	offer 39
The Throng rates are the arith noted to the market by five Bank, Bank of Tokyo, Deut	metic means rounded to the n reference banks at 11,00 a.m sche Bank, Bampe National	serest one-sixteerek, of the l n. each working day. The ba de Parks and Elongan Guar	pid and offered rates for \$11 als are National Westmins acty Trust.

that base rates will remain at 7 per cent for the next few months, writes Peter John. The March contract opened marginally higher but a rally below some estimates.

was unsustainable and it drifted back throughout the day. Then, shortly before the official close, the contract was hit again and sold down to 93.27. The pressure came from a large options-related trade. Dealers said one financial house had sold short sterling and written more than 2,200 March 93.25 sterling calls.

LIK ciearing bank base leading rate 7 per cest From November 13, 1992

At the official close, March short sterling was around its lows of the day with more than 22,000 contracts dealt. It was joined by the franc and D-Mark contracts which also retreated from expectations that interest rates are about to fall, March Pibor settled 25 basis points lower at 91.30 while the March Euromark contract fell 14 to

92.14. Meanwhile, cash rates remained steady with three-month Libor holding at 71/4. There was some pressure at the shorter end as a result of a lower than expected liquidity shortage forecast from the

Futures hit in late trade Bank of England. Expectation that the shortage would easily be taken out meant that few people would be interested in borrowing overnight. The rate dropped to 6% per cent as the Bank forecast a shortage of around £100m, up to £200m

Among the main factors affecting the position were exchequer transactions. expected to remove £775m from the system, take-up of treasury Bills and paper maturing in official hands and bankers' balances below target. These were partly offset by a fall in note circulation adding £780m.

The Bank did not operate in the money market at midday, nor in the afternoon, but later revised its shortage forecast to £250m. During late assistance, the period when the term of loans are not mentioned, the central bank provided £180m. It also announced the roll-over details of the temporary arrangement first made available on September 18 to help money market liquidity after the collapse of sterling on Black Wednesday. The Bank yesterday set a weekly rate of 6th per cent on

the agreement. Meanwhile, German call money, which is reflected by the narrow money supply band, firmed slightly to about 8.90 per cent after Friday's 8.85

FT LONDON INTERBANK FIXING

Treasury Bills and Bonds

Frime rate	. 5	One month Two month Three month Six month One year Two year		3.34 Five: 3.35 Seven 3.47 10-ye	7637	6.04 6.44 6.79
Dec.7	Oversight	Month	Two Months	Three Months	Six Months	Lombard
Fratifurt Paris Zarich Ansterdam Tokyo Milar Brussels	8 65 4 95 94-10 54-6 38-31 121-13 84-83 20-25	6 90-4 10 10 1-10 19 6 19-6 19 3 1-3 12 14 1-14 11 8 13-8 13 21-23	3.65-9 Qg	8 65-4.00 10-101 64-64 144-144 84-84 164-18	8.50-8.65	9.10 9.10

LONDON MONEY RATES One Monun Three Mortin Siz Months Dec 7

Local Authority Bonds	_	-	_	-	_	
Discount Mikt Deps	7	64		_	_	_
Company Deposits	- 1	_	_	-	-	_
Finance House Deposits	-	_	7	7	611	63,
Treasury Bills (Buy)	- !		63	6.12	67	7.7
Bank Bills (Bay)	-	-	63	6.5	64	
Fine Trade Bills (Buy)	-	-	-	-10	0.2	
Dollar CDs.	_	-	3.40	3.35	3 48	3 90
SDR Linked Dep. Offer .:	_	_	5.3	5.5	5	270
SDR Linked Dep. Bld	_	_ :	5 % 11 %	5%	54	nso.
ECU Lipked Dep. Offer .		_	112	1013	3.4	2.0
ECU Linked Dep. Bld	_	_	117	101	104	2.5
ECO CIBREO Dep. Div				Tolf	104	94
Treasury Bills (sell); one-make Bills (sell); one-makender rate of discount November 30,1992. Age 8,71 g c., Schemes II & 1992, Scheme IV&V. 7. sereo days' fixed. Finance sums at seven days notice over held under one months 6 from Oct 20, 1992, Des	6.4035 . I reed rates to II: 8 54 p.c. 267 p.c. Lo re Houses Ba 4 per cent th 4 k per c a per cent; n	r cam; three CGO Fixed r period Dec Reference ra cal Authorit ise Rate 8 fr Certificates Mat, one-thr line-twelve r	e morths 6. Rate Steri ember 26. 1' Ité for perior y and Finan rom Decemb of Tax Depo ree months 7 ponths & ner	A, per cent, ling Export 992 to Jamu 1 October 31 ice Houses se er 1 , 1992; sil (Series 6, 7 per cent; til	Treasury Bi Finance. W ary 25, 199 , 1992 to Ne twen days' n Bank Depo , Deposit El	Ills: Average lake up day 3 Scheme I: exember 30, otice, others sit Rates for LOO, OOO and

(P) MONEY RATES

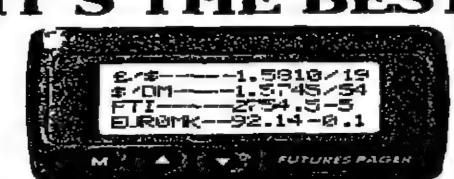
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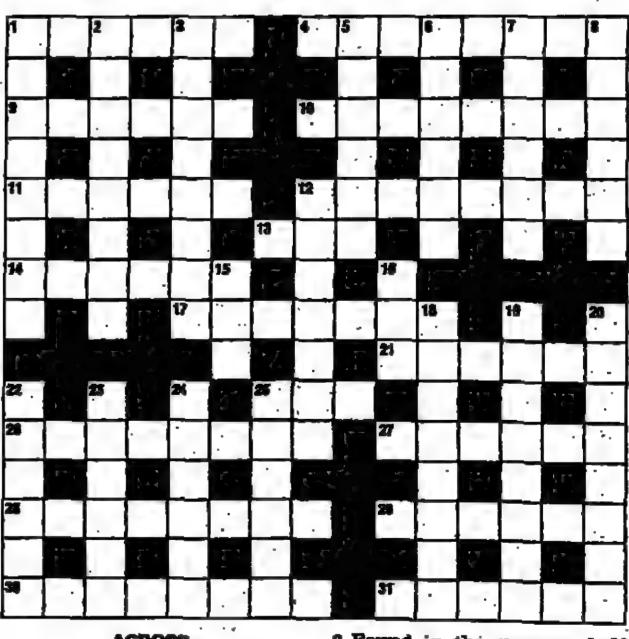
MONEY MAR	RKET	FU	NDS
		Series.	Grond Inc. C
Money Market	Centis & Co Surve Access	com dil	g71-623 101
Trust Funds	15 Lordbard St. Lord For personal codds 550 000+ 520 000-C47 999		174 510 9
CAF Money Management Co Ltd	Far budgestes, chart	. 14. CA2 Log and packs	3001 4061 Q
48 Penatury Road, Testridge TN9 24D 0732 770114 Calcade Deposits Front. 6 61 6.78 S Mith Deposits Over 62 william 6 72 6.88 S Mith	£25,000–£99,999 £10,000–£24,999 £arits Composite Ass	13.50	2020 150 8
The COIF Charities Deposit Account	27 Bush Lane London States opportable on to	LECAR DAN	-1 41-1-1
2 Fore Street London ECZY 5AQ 071-585 1815 Deposit 17.00 -1 7.1913-No.	CS TOO-CID DOO	16.50	91.C Preside AC 071-631 333 466 6.66 00 506 6.92 90
2 Fore Street, Lucion ECZY SAQ 071-568 1815 Deposit	\$20,000 Feb Feb F	-	5631 7711 (II ham 500 Acc
Gartzmere Money Management Ltd 16-18 Motoment St, London ECSR 800 071-236 1425 071-236 9362	8 St. John St. Manche £10 000+6Mtbs. £10,000+1 Year	10 00	7.50 - Vas
7-day Fued 6.25 4.67 6.32 6-16 10 10 10 10 10 10 10 10 10 10 10 10 10	Fidelity Money	Market A	Califoli Marke
Special Fund	EL-E49,999 FSO 000-E299,999	- 350 500	4 125 5 61 01 4 50 614 01 4 969 6 79 01
Money Market	Continuous Money	oney Market Marencer	Rales on regoest
Bank Accounts	16-18 Modernert St (15 75	4311 5.8713-18
Dalik Accusits	Total Consul Marketon	UTL 796	# 17 5 61 00 4.65 6.75 9
AIB Bask High Interest Cheque Account Belmost Rt, Unbridge UBS 15A 0800 282115	25 000-£9 999	6.20 1.35 7.35	4 91 6 71 00 5 51 7 56 00
72 500 69 999 325 2.44 3.29 GR 510 0000 4.70 3.52 4.79 GR	Julian Hodge B:	ae ce 35	6 go l 9222 72000
Aftices Hume Break pic 30 City Road, ECLY 2AY. Treasury Acc. 5.50 4 125 5.51 Que	6 Mits Fined Rate Dis Acc. Extra Hilgh Interest B CSO DOD +	_18 CO 17 75	** 581 798 Q
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Allied Trust Bank Ltd	5 Bartley Way, Nock, £50,000+	17.00	5,251 7.191 0
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No.8,023 Set by ALAUN



ACROSS Ill-dressed nun, bedraggled 4 Arrived and put to shame (6.2) 9 This time one has a double (6)

10 Hold the attention of in 11 One's all prepared when the twit comes round (6)

12 The occupant let the players

13 "That woman" is in hard back again (3)
14 Nibbled the Brighton rock? (6) 17 Rang back from the valley to get assistance (7)

25 He sells cloth (3) 26 Got the boat out to take one back home (8) 27 Make free of charge (6) 28 Difficult or just the opposite

29 The girl is as bad in the half mile (6) ers (4,4)

30 Right inside the thick feath-31 The major part of the population (6)

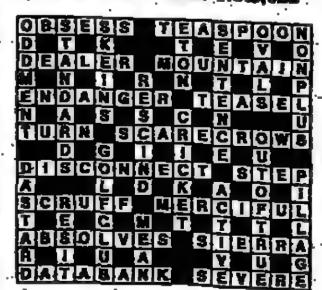
Rocked, one observes, and frightened (8) 2 Says I have no standing to my disgust (8)

3. Whispered "The money is out-5 Horse that shouldn't run fast!

6 Found in the granary, half were bad (6) 7 Considered getting into the act myself (6) 8 Possibly a chip shot at the 12 Came back in the red, the pile having been dissipated (7) 15 Acted up too (3) 16 Woman who was turned to stone (3)

18 A hig nipper! (8) 19 Pass the rope up - that's 20 Excessive, could be lessened 22 Broke open when made to (6) 21 A hollow, or hole, in the wood 23 The attitude in ascent is dif-

ferent (6)
24 Draw the shade when having 10WS (6) 25 Get the guard back to pick another ticket (6) Solution to Puzzie No.8,022



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	FINANCIAL TIMES WEDNESDAY DECEMBER 9 1992	WORLD STO	Φ ₃₅ CK MARKETS
	AUSTRIA Percenter 7 Sale FRANCE (continued) GERMANY (continued)	WORLD STOR	CK MARKETS
Alama Baran Baran	Austrian Airlines 1,599 Creditanstalt Pf 434 Bongrain	Describer 8 Fis. + ar - Describer 9 Kroner + or - A B K April Holding 49.20 +0.30 Garabro B Free 301 +1	CANADA Salon Stock High Low Close Chag Salon Stock High Low Close Chag Salon Stock High Low Close Chag
	EVN	AEGON	TORONTO 6/000 Corol Sys. \$21% 21 21% +% 300 Laurent Gp 1 500 d500 500 500 Scottl Proper 59% 9% 9% 1% 1700 Concentrate 280 270 270 -5 31200 Canada Maria 59% 9 9 -1 131500 Scottla Hors 59% 9% 9% 1% 1% 1% 1% 1% 1% 1% 1% 1% 1% 1% 1% 1%
•	Radex Horakith 351 Carrefour	Bols Lucas Dep Res 43.60 +0.60 Investor B Free 108 +2 Buchman C. Optics 29.10 +0.20 Ma Och Doub Free 175 175 175 11.50 -0.50	3 pm December 8 Cueletions in cents unless marked \$ 200 Denison A Z3 21 2 23 2400 Abilibi Pr 514 2 14 14 14 14 14 15 14 15 2000 Delineco \$10 16 8 6 16 17 10 10 10 10 10 10 10 10 10 10 10 10 10
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	Wieserberger 2,820 CC F 211.30 +1.30 Heidelb Zem 815 -5 Herskel Prf 533 -6.50 Cred Lyon (CI) 420 +3.50 Hersitz 276 -5 Credit Local Fr 328.70 -1.30 Hocks lef 977 -6	Gamma	97300 Am Borr SS7 36 % 36 % -1; 24500 Error Ltd SS16 516 516 416 516 416 516 416 516 516 516 516 516 516 516 516 516 5
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1.	Banq Gen Lirx Pts 13, 100 Elf Agellaire Certs 227.10 -8 KHD 88 20 -2.80 Banque Nat Belg 32,500 +425 Elf Sagoff 1,055 -22 Klockner Werke 62 +1	Nedlloyd	96800 Bomb'dierB \$12\h 12\h 12\h 12\h 12\h 12\h 12\h 12\h
	CMB 1595 5 Essilor Int 385 -9 Linde 686.50 +1 Cobepa 4285 +5 Etex 1,700 -50 Lindype Heli 379 -8	PolyGram	1400 Claims Gld 455 455 455 455 455 455 455 455 455 45
	Delhaize Frs Lion 1,378 -2 Euro Disaey 58.65 +1.70 MAN 263 -2.50 Electrabel 5,600 Fin Pollet 420 MAN Pref 234.30 -0.90 Electration ACT 3,480 -20 Finextel 113.30 -0.70 Mannesmann 226 -4.30	Rollinco	2200 Bruncor 520 % 20% 20% + Lg 24500 Cast Cds R 455 440 440 -15 2300 Bruncor 520 % 20% 20% + Lg 24500 Cast Cds R 455 440 440 -15 300 Coes Corp 57% 7% - Lg 65600 WIC B 515% 15% 15% + Lg 6300 Coes Corp 57% 7% - Lg 6300 Coes Corp 57% 7% 7% 7% 7% 7% 7% 7% 7% 7% 7% 7% 7% 7
	GBL 2705 +10 GBL AFV 1 2,650 -5 GIB Group 1,302 +6 Generale Banque 7,150 Geraert 6,260 -40 Glaverbel 3,020 -70 Glaverbel 3,020 -70 GBL AFV 1 2,650 -5 Gai. Lalayette 1,899 +9 Gausmont (Soc M) 310 Geophysique 620 -5 Hachette 81 -1.40 Mannhelm Vers 620 +1 Metalles Hid	Vas Overeres Dp Rts 33.50 +0.80 Cloa Gelgy (Reg) 596 +48	92000 CAE Ind \$5\\ 5\\ 5\\ 4 \\ 5\\ 4 \\ 5\\ 4 \\ 5\\ 4 \\ 5\\ 4 \\ 5\\ 5
• * * * * * * * * * * * * * * * * * * *	Glaverbel 3,020 -70 Hachette 81 -1.40 Phillips Kommun 501 -8 Havas 401 -20 Porsche 420 -5 Kredletbank 5,670 +70 Imetal 327 +6 Preussag 350 -2 Imm de France 740 -3 Phelopoletes 825-4	Forto (Br) 1,675 -35 Holderbank (Br) 493 +2	1900 C'theil Rate 40 d40 40 1900 Charles S2812 26 2814 -19 1900 Can Other S2812 26 2814 -19 1900 Can Othe
	Mosane	NORWAY Holvis Holz (Reg) 380 Jelmoll (Br) 1,165 -5 Ladis & Cyr (Reg) 371 -9 Les Hold (Br) 299 +1 Motor-Colum (Br) 415 +10 Motor-Colum (Br) 415 +10	900 Can Tire \$18 to 18 t
· · ·	Powerfin 2.495 +10 Recticel 279 +1 Royale Beige 4.290 Royale Beige 1.815 Soc Gen Beige 1.815 Soc Gen Beige AFV 1.1,820 LVMH 3.700ml -55 Lafarge Coppre 310 -3 LOreal 986 -10 Legrand 3.945 -55 Legrand 3.945 -55 Legrand 3.945 -55 Legrand 3.945 -55 Legrand 591.90 -4.60 Loreal 138.80 +0.50 Loreal 591.90 -4.60 Soc Gen Beige AFV 1.820	Dyro Ind	2200 CanGeninv 827 % 27 % 27 % 17800 intervPipe \$23 % d23 23 -1 4 400 Reaf Sun x \$33 \(\) 33
	Solvat 10,350 +25 Solvat 1,260 -8 Michelin B 180.10 -1 Thyssen 155.10 -3.20	Norsk Hydro 146.50 -3.50 Pirelli (Br) 230 +1 Norske Stog A Free 72.50 -3 Richemont A (Br) 1,110 -5 Roche (Br)	8406 CaPeforest a \$21 \(\frac{1}{2} \) 21 \(\frac{1}{2} \) 21 \(\frac{1}{2} \) 13606 Care Op 450 450 450 -5 100000 Cassindes \$5\(\frac{1}{4} \) 6\(\frac{1}{4} \) 606 KerrAddis \$16\(\frac{1}{2} \) 16\(
•	Tractibel	Saga Pet & Free 74	2100 Centri Cap 112 112 2 262200 Labatt 526 25% 25% 25% 430000 Ryl Cask kin 191 185 187 47 47 43000 Ryl Cask kin 191 185 187 47 47 430000 Ryl Cask kin 191 185 187 47 47 47 47 47 47 47 47 47 47 47 47 47
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	Aultory Portland A	December 7 Pts. + ar - Swiss Bank PtgCts 263 +1 50	
	Danisco	Atha (Corp Fin) 3,450 Swiss Vikshk PtCt 63 -1 Aragonesas 746 Union Bank (Br) 826 +4 Asiand 1,185 Winterthur (Ptg) 504 +4 Banco Bilbao Vizc 2,400 Winterthur (Reg) 2,520 +20 Banco Cotral Hisp 2,885ad Zurich ins (Br) 1,905 +10 Banco Exterior 3,675	INDICES NEW YORK Due Dec Dec Dec 1992
• :_	Great Nordic 309 +9 Sefimeg 425 +8 Bastogi-I R B S 104 Simco 449 +11 Benetton 12.895	Beaco Cotrol Hisp 2,885at Zurich ins (Br) 1,905 +10	DOW JONES Dec Dec Dec 1992 Since compilation 7 4 3 2 HiGH LOW HIGH LOW HIGH LOW HIGH LOW HIGH LOW AUSTRALIA Industrials 3307 33 3288.68 3276.53 3288.25 3413 21 3136.58 3413 22 41 22 All Defines 1141870 148.9 148.7 143.5 143.8 148.50 (22.51 1.357.20 (20.41))
: •	NKT A/S 185 -0.25 Sommer-Allibert 1,015 -15 Caffaro Spa	Carburos Metal 3,400 December 8 Rand + ar -	Home Bonds 102.76 102.62 102.52 102.44 103.20 98.41 103.20 54.99 (18/9/92) (
	Sophus Berend B 395 Superfos 345 -15 Top Danmark 640 Unidanmark A 120 Talitinger 1,840 -60 Cigahotel 1,067 Cofide Fin 1,260 Credito Italiano 2,950 UAP 423.30 -6.70 Danieli & C 7,901	Electra Viesgo 1340 Ailled Tech 120 12	Utilities 218.58 216.57 236 45 217 39 225 59 200 74 236 23 10.50 (2/1) (8/4) (2/1/90) (2/1/90) (
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	December 8 Mika + or - Vallourec 199 -1 Worms Cie 222.50 -5.30 Fidis 2,750 Finanz Agroind 7,250 Fondiaria Spa 27,890 Generali Assicur 27,825 Generali Assicur 27,825 Calculate 2,750 Finanz Agroind 7,250 Fondiaria Spa 27,890 Generali Assicur 27,825 Calculate 2,750 Finanz Agroind 7,250 Fondiaria Spa 27,890 Calculate 2,750 Finanz Agroind 7,250 Fondiaria Spa 27,890 Calculate 2,750 Finanz Agroind 7,250 Finanz Agr	Portland Vald 6,800 Deelkraal Gold 4 +0,10 Repsol 2,595 Driefontein 33.75 -0,50 East Rand Gold 3 90 +0,10 Elandsrand Gold 3 90 -0,25	Financial 39 to 39.35 39.07 38.96 32.40 39.60 32.40 39.60 8.64 CAC Georgi (31/12/81) 470.88 471.31 474.82 475 16 555 93 (12/51 441.70 (7/10) 17/120 (8/4) (7/12/92) (1/10/74) CAC 40 (31/12/87) 1765 88 1788 61 1781.68 1794 43 7077 49 (11/5) 1611.04 (5/10)
	Kope B Free 448 -7 Becamber 8 Dru. + er - Gilardini	Sevillana Elec 413 Engen 46.50 +0.50 Tabacalera A 3,700 First Mat Bank 60.50 Telefonica 1,105 Free State Cos; Solis 24 -0.25 Gencor 10.15 +0.35	NYSE Composite 239 36 237 77 236.76 236.74 239 36 217 92 239 36 4 46 GERMANY (7/12) (8/4) (7/12/92) (25/4/42) FAZ Alvien (31/12/58) 596 40 602 52 602 21 602 82 725 26 (26/5) 565 61 (12/10) Ames Mist. Value 394 36 394 95 393 68 392 56 418.99 364.85 418.99 29 31 Commerciante (1/12/53) 1686 2 1703 0 1702 70 1704 3 2043 80 (25/9) 1594 60 (12/10) 112/20 19/100 112/2/920 (9/12/72) DAX (30/12/87) 1508.24 1525.32 1522 16 1532 5 1811 57 (25/5) 1420 30 (6/10)
	Nokia Pref Free 88.20 -0.30 Aachen Mch (Reg) 810 +122 Italgas 3.002 Pohjola B Free 41 +0.10 Allianz AG 1.910 -35 Lloyd Adriatico 9,780 Repola (Free) 47.50 +2.50 Asko 518 -1.50 Mediobanca 12,800	Union Fenosa	MASDAQ Composite 666 53 661 60 656.36 652 91 666.53 547.84 666 53 54.87 HONG KONG 17/122 126/61 17/12/922 131/10/722 Hang Semp Bask 131/7/64) 5202.36 5191.75 5268 10 4978 21 6447 (1 (12/11) 4301 78 (2/11) Dec 4 Nov 27 Nov 20 year ago (approx.) TRELAND 550 Omcall 641/881 1168.33 1176 74 1188.92 1194.36 1469.57 (17/11) 1094.88 (19/10)
	Tampelia Free 20 Unitas Bk C Free 8.10 Asko Pri 429 -2 BASF 205.50 -1.90 Bayer 271 -0.50 Bayer 253.90 -0.60 Bayer 253.90 -0.60 Bayer 376 -3.50 Montedison 1,141 Olivetti 1,811 Pirelii & Co 3,595 Pirelii Spa 1,041 RAS 17,700	Viscofan	Dec 2 Nov 25 Nov 18 year ago (approx.) Sarca Con. Lil Light Lil Lil Light Lil Light Lil Lil Light Lil
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٠.	Accor	Asea A	2ml Section (4/1/68) 1682,48 1678 08 1680 14 1677 76 2497 85 16/2) 1502.77 (19/8) MALAYSIA 70.5E Composite (4/4/86) 535 93 535 56 637 61 636 40 660.35 (5/11) 546 63 (14/1)
: •	Axa 975 -12 Colonta Konzera Pf 428 +7 Sala BPD 910 BIG 900 Commercians 241.80 -2.20 STET 1,564 BSN 972 -1 Continental AG 196.50 -1.50 Toro Assicur 19,660 BNP Cert Inv 389.50 DLW 409.50 -0.50 Tosi Franco 17,900 Bancaire Cie 355.90 -0.10 Daimier-Benz 523 -8.60 Unicera 6,260	Atlas Copco B 295 +5 SA Man Amcor 24.25 +0 25 Electrolux B Free 228 +5 Tiger Oals 47 +0.75 Tongaat Hulett 17.25 Vaal Reefs 139 -4	NEW YORK ACTIVE STOCKS TRADING ACTIVITY Stocks Closing Change 1 Volume Millions 1963 1963 1964 1960 1966 21550 (26/5) 189 70 (25/8) Monday traded price on day Dec 7 Dec 4 Dec 3 NORWAY 1968 1964 1968 1964 1966 21550 (26/5) 189 70 (25/8)
	JAPAN	AUSTRALIA (continued)	Am Express 8,867,900 24 4 + 1 1/2 New York SE 217 700 227.410 237,990 0xto SE timb (2/1/83) t53.94 666.08 667 06 670 13 772 74 (18/5) 532.43 (25/8) Home Shop 3,512,900 6 4 Ames 15 751 14 655 16 407 PHILIPPINES Chrysler 3,007,100 32 4 + 4 NASDAQ 226 273 261.112 239 035 Manita Comp (2/1/85) 1278 59 1284.24 (c) 1279 54 1580 95 (11/6) 1083 01 (17/3)
	Ajinomoto	Takara Shuzo 662 -1 Nat Aust Bank 7.51 +0.09 Takashimaya 815 +2 Newcrest Minion 2.05 -0.02	West Elec 2,700,100 13 4 + 4 NYSE Gen Motors 2,409,200 34 4 + 4 Issues Traded 2,404 2,404 2,393 Glaso 2,216,400 26 4 + 5 Rises 1,209 991 912 SES AH-Singapore (2/4/75) 377 58 379 10 379 37 379 85 416.99 (21/1) 351 41 (21/10) Merck 1,893,700 46 4 + 5 Rises 1,209 991 912 SES AH-Singapore (2/4/75) 859 09 864 0 885 0 905 0 1327 00 (21/1) 746 00 (10/11)
	Alps Electric 849 +13 Japan Storage Balt 740 +5 Nippon Credit Bank 4,680 -20 Armana Co 980 Japan Sye Rubber 454 +4 Nippon Denko 420 +9 Armano Corp 1,220 +10 Japan Wool 1,020 -10 Nippon Denko 1,370 Ande Construction 677 +12 Jujo Paper 470 -2 Nippon El Glass 1,040 -20 Anritsu 744 +24 Jusco 1,340 -10 Nippon Express 745 +6	Telifin	Sprint. 1.706,600 25 4 + 1 Falls 654 756 872 35E Industrial (28/9/78) 4357 09 4295 0 4268 0 4258.0 4689 00 (4/6) 3936 00 (19/10) 18M 1.665,600 65 7 1 4 Unchanged 541 657 609 SOUTH KOREA** Phil Eels 1.623,600 25 4 Hen Highs 120 115 81 Korea Comp Ex. (4/1/80) 625 61 616 21 635 28 638 93 641 48 (8/2) 459 07 (21/80)
CROWS	Acki Corp	Tobishima Corp 480 +9 Pasminco	SPAIN Matrid St. (30/12/85) SWEDEN Altarocarden Gen. (1/2/37) 886 4 871 4 864 4 882 6 1614 50 (11/5) b39 00 (5/10)
	Asahi Breweries 1,080 -10 Asahi Chemicai 609 +2 Asahi Glass 969 -8 Asahi Opticai 343 -5 Kamenatsi Corp 380 +9	Toho	Sers Bare led. (31/12/56) 874 1 871.7 865 9 862.0 883 40 (11/5) 748 50 (8/1) CANADA TAWAN**
	Atsugi Nylon 555 Kansai Palint 413 +6 Banyu Pharm 807 Kansai Palint 413 +6 Bridgestone 1,150 +10 Kansaiki Henry Ind 374 +1 Bridgestone 1,150 +10 Kansaiki Kisen 349 +4 Nippon Shart Class 450 +5 Nippon Shippon Shart Class 450 +5 Nippon Shippon Shipp	Tokyo (Bank) 1,320 +30 Stockland Tst 2.95 Tokyo B'casting 955 +13 Tokyo B'casting .	TORONTO Dec Dec Dec Dec 1992 7 4 3 2 H4GH LOW Metals & Minerals 2755 97 2759.39 2747.71 2777 06 3238 87 (16/13 2529.91 u17/11) Separation 3293.09 T389.60 3244.90 3265.25 3444.00 (16/13 3195.40 u14/10) WORLD WORLD WORLD
	CSK	Tokyo El Perr 2.530 -40 Tyco tres 0.73 +0.03 Tokyo Electron 1.710 +50 Western Minima 5.64 +0.06 Tokyo Gas 414 42 Western Minima 4 +0.22	MONTREAL Portfolio 1736 53 1736 59 1726.36 1726 06 1937 59 (16/1) 1663 16 (14/10) Base values of all Indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Saturday December 5: Talway Whishled Price 3 727 95 (force Court Ex. 623 25)
	Canon Sales 2,080 -20 Kiski Niop Railway 690 +2 NTT 521,000 Caslo Computer 1,070 +60 Kirin Brewer 1,140 Mippon Yakin 404 -9 Kote Sizel 300 +2	Tokyo Rope 646 -19 Tokyo Steel 2,930 +20 West/leid Trust 231 +0.01 Westpac 3.04 +0.08 Tokyo Car 455 -5 Woodside Pet 3.62 +0.06	Torosto Composite and Metals – 1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds, I industrial, plus Utilities, Flouncial and Transportation. (c) Closed (u) Unavailable. 4 The DJ Indl., index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). V Subject to official regalculation
	Central Glass 365 -5 Kokusal Electric 1,610 +20 Kokusal Electric 1,610 +20 Kokusal Electric 1,610 +20 Kokusal Electric 1,610 +10 Kokusal Electric 1,610 +10 Kokusal Electric 1,610 +10 Kokusal Electric 1,610 +20	Toppen Printing 1.030 December 8 H.K.S + ar -	day. (The figures in brackets are previous day's). (d) Closel, (d) Unavailable
	Daicel Chemical 458 -5 Klimial Chemical 442 19 Nissho haai 414 +4	Toray ind	
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	Dai Minnon lok 40d -1 Kynshis El Power 2.340 -20 Odakys Electric Ray 699 +9	Toyo Seikan 3,220 +10	Traded Prices on day Kawasaki Stoet 2.8m 292 +3 Mitsul Mirring 1 7m 489 +8 Citizon Watch 2.4m 951 +15 Suzuki Motor I 7m 833 +18 Mitsubishi Heavy 2.0m 548 +3 Komutsu 1.6m 681 -4
1	Dal Nippon Priet 1,320 +10 Lion Corp	UBE Inds	Mitsul Electric 1 9m 1,090 +60 Konamy 1 6m 3,260 +370 MPN Steel 1.6m 296 Tokyo luk M&F 1 5m 506
	Daiwa Bank 924 +10 Makita Corp 1,750 +30 Omrop Corp 1,080 Haruberl 383 +6 Onota Cement 581 +1	Victor UVC) 780 -5 HK & China Gas 14 -0.10 HK & Shanghai Hetel 4.97 -0.08 HK & Shanghai Hetel 17.90 -0.10 HK Aircraft 17.90 -0.10 HK Electric 14.70 +0.10 HK Land 11.80	
,556	Dalwa House	Wacqual 889 425 HK & Shangha Hatel 4.97 -0.08 -0.10 Wacqual 17.90 -0.10 HK Airtraft 17.90 -0.10 HK Electric 14.70 +0.10 HK Land 11.80 HK Realty & TrA 10.20 -0.10 HK Telecom 8.90m +0.10 HK Telecom 8.90m +0.02 Hutchison Wpa 13.90 -0.20 HX Standario Realth 4.97 -0.04 HK Electric 14.70 +0.10 +0.10 HK Electric 14.70 +0.10 HK Electric 14.70 +0.10 HK Electric 14.70 +0.10 HK Electric 14.70 +0.10 +0.10 +0.10 +0.10 +0.10 +0.10 +0.10 +0.10 +0.10 +0.10 +0.10 +0.10 +0.10 +0.10 +0.10 +0.10 +0.10 +	SUBSETTE TO
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	Gakken 659 -10 M'bishi Kasel 405 -3 Sanyo Kokusako 464 +4 Gen Sekhu 908 +3 M'bishi Materials 424 -11 Sapporo Brews 45 +1 Godo Shusel 553 -2 M'bishi Oil 875 +15 Secon 5540 -10	Swire Pacific A 27.50 Swire Pacific B 4.53 +0.05 Tela Broadeac 1.1 +0.30	CONTACT YOUR NEAREST OFFICE
	Green Cross 1.380 +10 M'bishi Paper 513 -11 Sega Ent 9,890 +20 Gun-Ei Chemical 411 -9 M'bishi Petchem 648 +6 Seibu Rallway 2.260 +10 Gunze 615 +2 M'bishi Plastics 520 +10 Seino Transport 1,460 +10 Hankyu Corp 524 +3 M'bishi Rayon 335 -3 Seivo Food Sys 920 +60	AWA	Phone Fax Phone Fax
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The FT is the best read pub-GET YOUR FT DELIVERED TO lication among frequent* international air travellers in 26 1725 20 4 20 4 20 4 167 1493 8 4 8 4 8 4 15 4 15 4 1 4 4 5 2 72 115 12 12 12 10 -4 Europe (*20 + trips/year). YOUR HOME OR OFFICE IN GERMANY. It is also the best read publication among high status first/business class air travel-| Company | Comp lers in Europe **. For a full editorial synopsis A subscription hand delivery is available in all major cities throughout Germany. and details of available We will deliver your daily copy of the FT to your home or to your office at no extra charge to you. advertisement positions, 2 2802 4% 4% 4% 45 - 0 21 8141 37 364 384 - 17 1282 74 6% 7 24 605 20 194 194 please contact: If you would like to know more about subscribing please call Brian Heron Karl Capp for further details on Frankfurt Tel: 0130 5351, Fax: 069 5964481. Tel: 061-834 9381 Fax: 061-832 9248 FINANCIAL TIMES Alexandra Buildings. Queen Street, Manchester M2 5LF. 0.12 22 164 16 4 0 13 16 4 70 2 126 129 25 9 196 7 Data sources: ** International Air Travel Survey (1ATS) Europe 1990 Perrier battle ends with something for everyone 0.30 28 296 u164 16 164 +44 0.28 18 1108 284 274 28 -44 28 5880 594 574 584 FBRS [90] FT SURVEYS Details Ga 0.80 14 14 3012 - L - SO Spets 54 4080 16 to 15 to 16 to 1 Del Comp 17 8019 38 36 ½ 37 ¼ +¼ LDDS A
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FT-SE Berotrack 200

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DM350.80.

dipped DM13.90 or 2 per cent to

DM653.10. Commerzbank eased

DM2.20 to DM241.80 and Dresd-

ner was DM2.70 lower at

Dr Reinhard Fischer, head of

German equities at Paribas in

London, believes that that

overall the banking sector still

offers growth potential in 1993.

He forecasts earnings growth

of some 7 per cent for the

banking sector next year,

against a rise of 5 per cent for

other constituent companies of

The engineering group

DM2.30 to DM145.30 on news

that earnings would rise

that it hoped to resume

the 1991/92 year and

the DAX index.

Deutsche Babcock

Euro Disney jumped FFrL7

or 3 per cent to FFr58.65. The

stock has fallen to a record low

recently and there were reports

that the US broker had bought

the shares aggressively yester-

day morning as it closed out a

ZURICH closed firmer but

below the day's highs as buy-

ing in the second round of

trading was not sufficient to

offset earlier profit-taking on a

weaker dollar. The SMI added

7.7 to 1.962.2 after the day's

Buying interest centred

almost exclusively on blue

chips, while second-tier shares

were under selling pressure.

Ciba registered shares, SFr8

higher at SFr596, topped the

active list, followed by Roche

PCs. SFr20 firmer at SFr3,950.

Schindler bearers fell SFr150 to

weakness in cyclicals as the

CBS Tendency index closed

unchanged at 105.8. Among

chemicals, DSM was Fl 1.40

down at Fi 80.50 and Akzo

est property investment group.

shed Fi 1.20 to Fi 46.00 on news

Fl 2.00 lower at Fl 134.70.

AMSTERDAM saw further

bear position.

high of 1,967.4.

SF12.950.

AMERICA

Dow falls back as investors take profits

Wall Street

US shares traded in a narrow range as investors took profits after the recent gains, pulling secondary indices from their record highs, writes Patrick Harverson in New York. By 1 pm the Dow Jones

Industrial Average was down 3.51 at 3,303.82, having spent the morning no more than a few points either side of Monday's close. The more broadly based Standard & Poor's dropped 0.47 to 434.84, while the Amex composite slipped 0.69 to 393.67 and the Nasdaq composite fell 1.56 to 664.97, off its all-time high. Turnover on the NYSE was 140m shares by 1 pm. and declines outpaced rises by 885 to 748.

Enthusiasm was dampened in early trading by rumours that Germany might raise interest rates. Although economists do not believe the Bundesbank would raise rates, the rumours supported the view that German interest rates are not likely to fall in the near future_

Otherwise, trading was dominated by technical considerations in the absence of any domestic economic data. Traders felt that following recent gains, the market looked slightly overbought, and suggested that if the rally was to be sustained over the longer term, some selling and consolidation would be required before prices moved higher

Boeing eased \$1/4 to \$341/4 in turnover of more than %m shares amid growing concern that the aircraft manufacturer would be hit by industrial action following Monday night's vote by the Seattle Professional Engineering Employees Association to reject a three-year contract from Boeing. Talks were scheduled yesterday between management and unions.

IBM fell \$% to \$65 in busy trading after Merrill Lynch, the broking house, warned that the computer maker might have to take additional charges in the fourth quarter.

some late earnings reports. HJ Heinz firmed \$% to \$44 after announcing fiscal second quarter profits of \$154.2m, up from \$122.8m at the same stage a year ago. Deere & Co jumped \$1% to \$39% on news that the agricultural equipment manufacturer earned \$37.4m in the fourth quarter ended October 31, a substantial turnround from the \$20.2m loss incurred at the same stage of 1991 (although that was affected by

big restructuring charges). Times Mirror fell \$% to \$30 on news that it expected to take special charges against its fourth quarter earnings to cover costs related to a restructuring at its Matthew Bender unit, a voluntary separation programme at the Los Angeles Times, and changes in accounting procedures.

General Motors climbed \$% to \$34% in turnover of 1.6m shares after Kidder, Peabody, the broker, reiterated its "buy" recommendation and said the stock was due for a significant upward move over the next few months.

Canada

TORONTO stocks were slightly weaker at midday following some light losses on Wall Street, but traders said expectations of a sharp drop in the Bank of Canada's key rate later in the day buoyed up activity. The TSE-300 Index fell Various big stocks reacted to 6.6 to 3,281.5 in volume of 28m shares valued at C\$244m. Declines outpaced advances by 259 to 219 with 308 unchanged.

SOUTH AFRICA

INDUSTRIAL shares were sharply higher as demand hit thin market. The overall index gained 41 to 3,281, on the back on a 62-point jump in the industrial index to 4,357. Anglos rose R2 to R91.25. The gold index fell 6 to 858

reaction to a higher bullion De Beers gained R1.65 to R59.65, slightly off its day's high, while Anglos moved up R2 to R91.25. Richemont went

up 80 cents to R37.10 and JCI

added RI.50 to R53.

as gold shares gave a muted

ASIA PACIFIC

consortium.

EUROPE

Markets Staff.

NEGATIVE announcements

from the corporate sector upset

German and French equities

yesterday. Milan, Vienna, Mad-

rid and Lisbon were closed for

a religious holiday, writes Our

FRANKFURT closed at its

lowest level for nearly a month

on the publication of disap-

pointing 10-month results from

Deutsche Bank. The DAX

index fell 17.08 to 1,508.24 as

turnover rose to DM4.1bn from

News late on Monday night

that Northwest Airlines had

cancelled a \$3.5bn order with

the Airbus consortium, which

includes Daimler, down DM8.60

at DM523, also depressed senti-

ment. However, Mr Michael

Geiger at County NatWest

comments that the cancella-

tion of the 74 aircraft repre-

total order book and is there-

fore unlikely to have serious

long-term consequences for the

Deutsche, the last of the big

banks to release its figures,

had been expected to turn in

disappointing earnings but the

5 per cent decline was below

many forecasts and the shares

Nikkei gains on late institutional support

up 10 cents at HK\$30.

Hong Kong. The All Ordinaries

ment on Monday.

Actuaries Share Indices

1131,45 1132,05 1133,51 1135,21 1136,15 1135,64

Dec 2

1130,96

dividend payments next year.

PARIS was dragged down by

Elf which dropped 4.1 per cent

following its chairman's profit

warning, published after the

close on Monday. Elf. one of

the most heavily weighted

stocks in the CAC-40 index,

closed FFr14 lower at FFr332

and the index fell 22.73 or 1.3

per cent to 1,765.88. Turnover

naise des Eaux-Dumez, down

FFr17 or 3.4 per cent at FFr482

on news that it would inject

FFr460m into its building sub-

sidiary. Dumez.Havas lost

another FFr20 or 4.8 per cent to

FFr401 in the wake of its chair-

man's cautious trading state-

Other losers included Lyon-

was steady at FFr1.9bn.

Dec 1

Tokyo

DEALERS and investment trusts supported share prices late in the day and the Nikkei average gained marginally at the end of a quiet and cautious trading session. writes Emilio Terazono in Tokyo.

The 225-issue index gained 74.73 to 17,281.85 after a low of 17,135.81 and a high of 17,332.70. The index fell during the first hour on small-lot profit-taking, but later reversed its course on buying by public funds and foreign investors.

Volume remained subdued at 180m shares against 140m. Advances led declines by 549 to 373 with 163 issues unchanged. The Topix index of all first section stocks gained 4.45 to 1.304.86 and in London the ISE/ Nikkei 50 index rose 1.85 to 1.055.42.

Companies bought shares for employee stock ownership plans, while public funds gave support by placing buy orders just below market levels. Most investors remained on

the sidelines ahead of Friday's Bank of Japan's tankan, or quarterly survey of business sentiment. They were also waiting for a cabinet reshuffle. expected this weekend. Meanwhile, Friday's settle-

ment for futures and options December contracts is generally expected to have little impact on share prices. Mr Masa Sato at SG Warburg said that most of the large-lot futures players have already adjusted positions and there has been little trading in December options contract.

Large-capital, interest ratesensitive stocks were sought on lower money market rates. Kawasaki Steel was the most active issue of the day, rising Y3 to Y292, and Mitsubishi Heavy gained Y3 to Y548.

Housing issues rose on reports that the government was considering implementing tax breaks for individuals who renovate houses. Daikyo gained Y35 to Y770 and Misawa Homes rose Y30 to Y1.070.

Konami, the video game maker, advanced Y370 to Y3,280. High-tech toy makers have recently been popular due

114.43

210.41

134 90 87.51 100.91

171.72

137.18

121.88 125.19

150.48 165.40

145.21

173.80

129.69

82.56 140.95

DOLLAR INDEX

87.27

134.21

111.33 146.06

136, 18

112.41

169.32

95.33

154.20

135.03

152.91

to high earnings growth pros-

Dealers targeted companies which expect a rise in profits in the current year. Citizen Watch gained Y16 to Y931 and Suzuki Motor rose Y18 to Y833.

AUSTRALIA continued to benefit from a switching of funds out of Hong Kong, as institutional investors remained nervous about the longer-term prospects for the colony. Indian stock markets remained

to A\$12.06. News Corp. which saw an intraday high A\$32.12, closed up 30 cents at

> before closing 5.24 higher at 3.761.01 in turnover of T\$10.2bn. Analysts said that sentiment remained positive ahead of the parliamentary elections later

this month. The electric, finan-Utilities were among the cial and plastic sectors made minor gains, with China Steel up 20 cents at T\$16.30, SINGAPORE's Straits Times Industrial index eased 6.10 to 1,434.03 as activity remained

lacklustre. Losers included SIA Foreign and Jurong Shipyard. both down 10 cents at S\$16.30 and S\$7.65 respectively. MANILA fell on profit-tak-

ing. The composite index lost 5.65 to 1,278.59 in combined turnover of 311m pesos. Philip-

Bad company reports hit senior bourses widened in the first nine

STOCKHOLM rose further as the bourse took its cue from advances on Wall Street. The Affärsvärlden General index added 15.0 or 1.7 per cent to 886.4 in turnover of SKr579m

after SKr451m. The industrial group Incentive AB rose another SKr5 to SKr163 on the back of a positive nine-month earnings report and the forecast of improved profits in 1992, Volvo jumped SKr14 to SKr332.

The banking sector finished as the day's winner, up 5.8 per cent. S.E Banken rose SKr0.50 to SKr16 while Handelsbanken added SKrl to SKr33.

OSLO fell 1.8 per cent in reaction to recent strong gains fuelled by speculation about a currency devaluation. The all-share index fell 6.68 to 369.53 in thin turnover of

NKr183m. Norsk Hydro closed NKt3.5 lower at NKr146.5 while Saga was down NKr1 at NKr66. HELSINKI closed higher for Rodamco, the country's larg- a third consecutive day and

the HEX index rose 11.7 to

European shipbuilders face a brighter future

But recovery is still some way off, writes John Pitt

uropean shipbuilders have been hit hard this year by a combination of negative factors: a weak dollar, falling tanker rates and volatility in European financial markets over economic conver-

However, some analysts believe that the sector may be reaching the bottom of the present cycle and forecast an upturn as the scrapping of older vessels accelerates over the next few years, thereby reducing the present surplus capacity

Mr Ole Slorer, a transport analyst at County NatWest, says that the world's VLCC tanker fleet (Very Large Crude Carriers ranging from 200,000 to 300,000 dead weight tonnes) has "a heavily skewed age profile with some 50 per cent of the fleet built in the 1972-1976 period".

With a tanker having an average life of 20 years, Mr Slorer notes that "once scrapping commences the concentrated age profile will lead to a very rapid contraction of ton-

Kvaerner, Europe's largest shipbuilder and the fifth-largest in the world, has seen its free shares slip from a year's high of NKr229 (\$38) in January to a low of NKr117 in early September. The price has come back recently on the dollar's strength, closing at NKr135 vesterday.

However, some analysts believe that the group is in a good position to benefit from a turnround in the sector. Its eight-month results were upset by heavy losses in its mechani-

NATIONAL AND

of stock

Canada (113)

Denmark (34)

Finland (15)

France (99).

Malaysia (69 Mexico (18)...

Norway (22).

Nordic (102).

Singapore (38)

South Africa (60)

Switzerland (60).

Pacific Basin (713)..... Euro – Pacific (1492)... North America (635)... Europe Ex. UK (552)...

Pacific Ex. Japan (241)....

World Ex. Japan (1733)...

United Kingdom (227).....

Netherland (25).

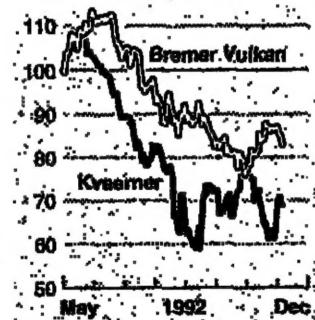
New Zealand (13)

REGIONAL MARKETS

show number of lines

cal engineering unit, while the shipbuilding division, accounting for some 30 per cent of group sales, showed a healthy 46 per cent rise in profits to

The group's recent acquisition of the Warnow shipyard in east Germany has strengthened its European network of Share prices rebased .



Source: FT Graphile. yards and, says County Nat-

West, a shipbuilding order book of NKr14bn "puts Kvaerner in a position to achieve substantial profits growth". Merrill Lynch notes that

both Kvaerner's Finnish and Norwegian yards are now operating profitably while the Govan shipyard in Scotland, bought from the UK government in 1989, although still lossmaking, is showing signs of improvement.

The broker concludes by arguing that the current p/e ratio of around 7 times appears low and suggests that a multiple of 8 to 9 times "would be more appropriate for the group at this stage of the business cycle, implying

MONDAY DECEMBER 7 1992

152.33 58.75

116.02

83.84

163.45

43.82

82.43

1253.53

121.83

33.19 117.82

158.92 120.01 91.34 129.99 87.21 136.95

139.77

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90.86 116.73

95.52 107.11

109.71

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160,91

1488.77

139,93

142.53 108.48 154.38 103.57

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165.99

128.32 141.08 101.68

112.45 162.32 107.86 138.61

113.43 127.20

+0.8 130.29

+1.0 148.58

Latest prices were unavailable for this edition. Madrid market closed December 7.

+2.0

+0.2

+0.6

+1.6 +3.2 +1.8 +0.7

+0.7

+21

The World Index (2205)... 139.49 +0.8 130.27 109.69 113.76 125.87

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34.42 122.18 164.80

124.45 94.72 134.80 90.45 142.02 144.94

112.05 123.19 88.77 98.18

141.75

94.22 121.04 99.05 111.08 113.77

125.12 129.76 151.16

1299.94 5430.94

105.83

123.71

206.68

57.43

82.43

124.71

152.74 156.80 100.05

96.26 162.57

177.73

87.34 100.90 172.85 98.54

136.51

102.96 122.29 125.56

a price of around NKr180". Bremer Vulkan, Germany's largest marine technology and shipbuilder, is forecast by some analysts to have the potential for a rapid growth in earnings following a strategy of reorganisation and cost-cutting. Its recent acquisition of the east German shipbuilder MTW is likely to increase its

50 per cent. The group has also been diversifying further into marine electronics and away from shipbuilding: the latter. which had accounted for 66 per cent of sales in 1982, had fallen to 43 per cent by the end of 1991, and this trend is set to continue.

shipbuilding capacity by some

The group has been helped, as with most European shipbuilders, by government subsidies which are currently running at some DM30m-35m (\$19m-22m) year. It will also benefit from last month's announcement that subsidies to the German industry are to virtually double next year.

r Alex Magona, German analyst at Map V A Securities in London. forecasts that the group will resume dividend payments in 1993, coinciding with the the company's centenary year. after a 16-year suspension.

However, the transport team at County NatWest is more cautious: while acknowledging that the shipbuilding order book is healthy, "high profitability is unlikely until the second half of the decade," it says, rating the stock as neutral over the long term.

FRIDAY DECEMBER 4 1992

109.05

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90.05 150.27

57.38 114.34

167.02

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117.15 85.81 94.11 136.28 89.34 117.75 94.99 106.75

109.21

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94.73 158.09

86.86

167.93

95.85 134.88 89.26 141.99 146.58

111.88 123.25 90.28 99.01 143.39 94.00 123.87 99.93

112.31

114.90 130.77

2.69 138.36 131.70 109.20 114.88 125.50 153.70 130.66 141.85

1586.36 1510.06 1251.95 1317.12 5397.60 1789.77 1185.84 1321.62

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood

Mackenzle in conjunction with the Institute of Actuaries and the Faculty of Actuaries

-1.8

+1.8

-0.2

+0.6

-0.5

+0.4

-0.1

+0.3 +0.0 +0.7

+0.8

+0.7

+0.2

+0.0 +0.7 +0.5 -0.5

+0.0

+0.3

+0.4

+0.3

Div. Yield

4.34 2.45 5.63 3.22 1.70

1.10

4.56 5.36 1.85

2.16 3.27 6.01 2.38 2.22 4.56 2.87

3.91 2.13 1.38 2.55 2.86 3.42 3.90 2.57 2.47

2.69 3.26

135.11

190.41

72.70

211.64

134.27

104.61

152.06 42.32

147.34 202.26 151.99 115.44 162.44 107.49

171.04

176.54

134.75 148.44 108.73 119.26 172.67 113.19

149.18 120.35 135.25

138.37

157.48

108.62

181.25

69.20 137.92

201.46

127.82 51.32

144.74 40.28 140.25 192.53 144.68 109.89

154.63 102.32 162.81 168.05

128.27 141.30 103.50 113.52 164.36 107.74 142.00 114.56 128.75 131.72

149.90

pects. Sankyo, the pharmaceutical

company, rose Y30 to Y2,430 on reports of plans to market its diabetic drug next year. The company also expects a 25 per cent rise in pre-tax profits for the current year to March. In Osaka, the OSE average gained 53.84 to 18,686.00 in vol-

ume of 21.7m shares.

Roundup

closed because the unrest. HONG KONG reversed an early 90-point fall, encouraged that yesterday's meeting of the Sino-British Joint Liaison TAIWAN's weighted index

moved in a narrow range Group went ahead. There had been fears that the Chinese would pull out of the talks following last week's disagreement between the two nations. The Hang Seng index closed 10.61 higher at 5,202.36 in moderate turnover of HK\$2bn.

day's active issues: Hongkong Telecom rose 5 cents to HK\$8.85 and China Light was AUSTRALIA was boosted by Wall Street and the switching of funds out of other markets in the region, particularly

index advanced 24.2 to 1.468.9 in turnover of A\$344.6m. BHP was among the day's most actives with a 36-cent rise

pine National Bank lost 6 pesos to 220 pesos. SEOUL rose for the first time

in six days as the composite index advanced 9.40 to 625.61. KUALA LUMPUR rose marginally in the absence of fresh corporate news. The composite index put on 0.37 to 635.93 in turnover of M\$238m. Bargainhunting supported some stocks, including Tenaga, up 15 cents at M29.60 and Telekom,

up 10 cents at M\$14.00. NEW ZEALAND saw Fletcher Challenge continue to recover as its shares rose & cents to NZ\$2.39, helping to lift the NZSE-40 index 14.12 to 1,526.87. Turnover was moderate at NZ\$26m

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Carter Holt Harvey put on 6 cents to NZ\$2.84, Lion Nathan gained 1 cent to NZ\$3.91. Air New Zealand went against the trend with a 5-cent decline to

NZ\$2.35.

DECLARATION OF DIVIDENDS Phase 3

The following companies have declared interim dividends, in South African currency, payable to members registered in the books of the

Name of Company (All companies are incorporated in the Republic of South Africa)	Dividend No.	Amount Per Share (cents)
Deekraal Gold Mining Company Limited (Registration No. 74/00160/06)	20	5
Oriefontein Consolidated Limited (Registration No. 68/04880/06)	39	60
Kloof Gold Mining Company Limited (Registration No. 64/04462/06)	46	45

Standard conditions relating to the payment of dividends are obtainable at the share transfer offices and the London Office of the

Requests for payment of the dividends in South African currency by members on the United Kingdom registers must be received by the companies concerned on or before 24 December 1992 in accordance with the above-mentioned conditions.

The registers of members of the above companies will be closed from 25 December 1992 to 1 January 1993, inclusive. The following company has not declared an interim dividend:-

Doomfontein Gold Mining Company Limited (Registration No. 05/24709/06) By order of the boards

per pro GOLD FIELDS CORPORATE SERVICES LIMITED London Secretaries S.J. Dunning, Secretary London Office:

Greencoat House Francis Street London, SW1P 1DH United Kingdom Registrar: Bardays Registrare **Bourne House** 34 Secleenham Road Beckenham, Kent BR3 4TU

8 December 1992

Members of the Gold Fields Group

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DHAKA ELECTRIC SUPPLY AUTHORITY Greater Dhaka Power Distribution Project

The Government of the Peoples's Republic of Bangladesh and Chaka Electric Supply Authority have appäed for an Eighth Power Project Loan from the special Funds Resturces of the Asian Development Bank, Marila hereinatter reterred to as ADS, in various currencies and it is intended that the proceeds of this loan will be applied to payments under the contract for which this invitation to lander is being issued. The contract for which the tender is being invited relates to the Oheka Transmission and Distribution Expansion (Phase 3) Project to be financed under the loan from the

ADB. Potential bidders from ADB member-countries who wish to bid are advised to

contact (a) The Director, Procurement & Stores Dhaka Electric Supply Authority,

(b) Project Menager, Exbank Prescs Limited. House No. 47,

1. Abdul Garri Roed, Dhales. Road No. 135. Guishan, Dhaica 1212. Tender documents are expected to be available from the Chake Office of the consulting engineer's address given above from 15th December 1992. Each tender document will cost pound sterling 100 (one hundred) or equiviplent in any

convenible currency and checutes or Bartrer's draft should be made payable to EWBANK PREECE LIMITED. This money will not be refundable. The closing date and time for receipt of completed tenders at the office of the Director,

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Procurement and Stores, Chaica Electric Supply Authority, DESA Building, 1, Abdul Garli Road, Dhake will be as follows: Tender

Tenders will be publicly opened at 11 suru on the tender closing date in presence of the authorised representatives of the tenders in the office of Director, Procurement & Stores, Dheka Electric Supply Authority, DESA Building, 1, Abdul Garri Road, Dhaka. Copies of the tender documents will be available for inspection at the office of the

LEGAL NOTICES

Notice of Creditors' Meeting, Registered No. 2324356. Registered in Engined . UK SCANNER COMPANY LEMITED Notice is hereby given, putment to Section 48 of the inscirency Act 1986, that a meeting of the creditors of the above second company will be held at the Park Hotel, Park Place, Certiff on Wednesday 16 December 1992 at 11.00 am for the purposes esertioned in Section 48 et esq of the said Act, visc (i) to leave inid before it the

consulting engineers in Oheke

Dhaka Electric Supply Authority

Director, Procurement & Stores,

edministrative receivers report on the administration of the receivership; (H) if thought fit, to establish a creditors committee. Creditors wishing to vote at the meeting must ledge their proofs of debt and (unless they are structing in poston) protess at the offices of Cock Gully, Churchill House, Churchill Way, Cardiff no later these 12 mons on Touchy Ti by submitting a written statement of claim corrector their excertly, secured creditors among give perthables of their examply and his value if

they wish to vote at the meeting. Detect tide 27 day of November 1992

J P Considios

(A) MARLOWE ENGINEERING LTD. silication: Division 2 Class 7, Engineering and tions of person appointing the administrative sculptuse Royal Back of Scotland Plc.

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